

***United States Court of Appeals
for the Second Circuit***



APPENDIX

75-7538

United States Court of Appeals

For the Second Circuit

B

ALAN L. SPIELMAN,

Plaintiff-Appellant,

against

GENERAL HOST CORPORATION, RICHARD C. PISTELL, HARRIS J. ASHTON, C. WHITCOMB ALDEN, JR., JOSEPH P. BINNS, WILLIAM F. DOWNEY, WESTON E. HAMILTON, WILLIAM P. HOWE, JR., J. ELROY McCRAW, EDWIN C. McDONALD, LESLIE W. SCOTT, ALLEN & COMPANY, INCORPORATED, ALLEN & COMPANY, KLEINER, BELL & COMPANY, INCORPORATED, SEYMOUR M. LAZAR, EUGENE V. KLEIN, ALLEN MANUS, CECIL MANUS, and GREAT AMERICAN INSURANCE COMPANY,

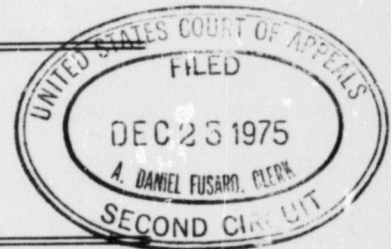
Defendants,

GENERAL HOST CORPORATION, RICHARD C. PISTELL, HARRIS J. ASHTON, C. WHITCOMB ALDEN, JR., JOSEPH P. BINNS, WESTON E. HAMILTON, LESLIE W. SCOTT, ALLEN & COMPANY, INCORPORATED, and ALLEN & COMPANY,

Defendants-Appellees.

On Appeal from the United States District Court
for the Southern District of New York

JOINT APPENDIX VOLUME III OF FOUR VOLUMES (Pages JA682 to JA1070)



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PAGINATION AS IN ORIGINAL COPY

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EXHIBITS AT TRIAL

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1	Accounting Research Bulletin No. 51	JA757
4	Patterson Memo to Allen, Dated August 6, 1968	JA761
21(A)	Affidavit of Harris J. Ashton, Dated January 27, 1969 (pp. 60-61 of Appendix in <i>U.S. v. Swift & Company</i>)	JA764
21(B)	Comments of Counsel (p. 166 of Appendix in <i>U.S. v. Swift & Company</i>)	JA773
21(C)	Complaint in <i>U.S. v. Swift & Company</i>	JA774
21(D)	Petition for Injunction in <i>U.S. v. Swift & Company</i>	JA798
21(E)	Affidavit in Support of Petition	JA801
21(F)	Findings of Fact and Judgment Order	JA806
8	Confidential Report (cover and pp. 125-129)	JA814
23	General Host Corporation Prospectus, Dated Jan- uary 30, 1969	JA820
24	Memo from Day to Ashton <i>re</i> cashflow, Dated Jan- uary 30, 1969	JA896
25	McDowell EBT in <i>Armour v. Kelly</i> , p. 9, ll. 12-23	JA902
59	Allen & Company, Inc. Letter, Dated October 15, 1969	JA903
60	Allen & Company, Inc. Letter, Dated February 4, 1969	JA905
61	Revised Greyhound Tender Offer	JA910

<i>Defendants' Exhibit No.</i>	<i>Description</i>	<i>Page</i>
A-11	Letter from Kirkland, Ellis to SEC, Dated December 10, 1968	JA915
A-12	Letter from SEC to Sullivan and Cromwell, Dated December 12, 1968	JA918
A-13	Letter from Kirkland, Ellis to SEC, Dated December 16, 1968	JA919
A-15(1)	General Host Exchange Offer Announcement, Dated December 23, 1968	JA922
A-16	Article, Wall Street Journal, Dated December 24, 1968	JA923
A-18	Host S-1 Registration Statement	JA924
A-19	Exhibits to S-1 Registration Statement	JA1024
A-20	Article, Wall Street Journal, Dated December 24, 1968	JA1070
A-21	Sullivan & Cromwell Memo, Dated January 2, 1969	JA1071
A-22	Letter from Sullivan & Cromwell to SEC, Dated January 6, 1969	JA1082
A-23	Letter from Kirkland, Ellis to SEC, Dated January 6, 1969	JA1083
A-25	Advertisement, Wall Street Journal, Dated January 9, 1969	JA1084
A-26	Letter to Armour Shareholders, Dated January 9, 1969	JA1085
A-28	Letter from SEC to Sullivan & Cromwell, Dated January 17, 1969	JA1088
A-29	Armour Proxy, Dated January 17, 1969	JA1089
A-32	Letter from Kirkland, Ellis to SEC, Dated January 23, 1968	JA1095

<i>Defendants' Exhibit No.</i>	<i>Description</i>	<i>Page</i>
A-34	Letter from Sullivan & Cromwell to SEC, Dated January 24, 1969	JA1096
A-34(1)	Article, New York Times, Dated January 24, 1969	JA1097
A-35	Greyhound Tender Offer, Dated January 27, 1969	JA1098
A-37	Letter from Armour, Dated January 27, 1969	JA1102
A-42(A)	Complaint in <i>Armour & Co. v. General Host</i>	JA1106
A-42(B)	Transcript of Hearings Before Hon. Edward Wein- feld, on February 5, 1969	JA1130
A-42(C)	Opinion of Hon. Edward Weinfeld in <i>Armour & Co. v. General Host</i>	JA1307
A-43	Article, Wall Street Journal, Dated January 24, 1969	JA1326
A-44	Advertisement <i>re</i> Greyhound Offer, Dated 1/24/69	JA1327
A-45	Article in Wall Street Journal, Dated January 28, 1969	JA1328
A-46	Amendment No. 2 to S-1 Registration Statement, Filed January 29, 1969	JA1329
A-49	Dealer Management Agreement, Dated January 30, 1969	JA1406
A-50	Price Waterhouse Comfort Letter, Dated January 30, 1969	JA1413
A-51	SEC Order, Dated January 30, 1969	JA1415
A-54	Advertisement in Wall Street Journal, Dated Jan- uary 31, 1969	JA1416
A-55	Letter from Greyhound to Armour Shareholders, Dated January 31, 1969	JA1418
A-56	Amendment #1 to Host S-1 Registration State- ment	JA1422

<i>Defendants' Exhibit No.</i>	<i>Description</i>	<i>Page</i>
A-58	Letter from Sullivan & Cromwell to SEC, Dated February 6, 1969	JA1424
A-59	Advertisement <i>re</i> Greyhound Tender Offer, Dated February 6, 1969	JA1430
A-60	Letter from Sullivan & Cromwell to SEC, Dated February 7, 1969	JA1432
A-61	Connolly, Bove Opinion Letter, Dated February 7, 1969	JA1432
A-62	Article in Wall Street Journal, Dated February 7, 1969	JA1433
A-63	Letter from Greyhound to Armour Shareholders, Dated February 10, 1969	JA1434
A-64	Supplemental Armour Proxy Statement, Dated February 10, 1969	JA1435
A-65	Advertisement, Dated February 2, 1969	JA1443
A-67	Article in Wall Street Journal, Dated February 11, 1969	JA1444
A-68	Greyhound Notice to Armour Shareholders, Dated February 13, 1969	JA1445
A-89	Amendment No. 1 to Host S-1 Registration State- ment (cover and pages 8 and 9 only)	JA1446

6. DEPOSITIONSDepositions Plaintiff Intends to Offer

The plaintiff intends to offer in evidence at the trial portions of the following depositions: 1) John P. Glynn, 2) Timothy T. Day, 3) Alan McDowell, 4) Arthur Bettauer, 5) The complete deposition of Herbert Allen, Jr. conducted by the plaintiff 6) Pages 243 to 257 of the depositions of Herbert Allen, Jr. conducted by the SEC.

The foregoing depositions will be offered in evidence against all of the defendants in the present trial. Complete copies of all of said depositions, except for item 5, have been delivered to each of the defendants in the present case. Those portions of the depositions which plaintiff intends to offer in evidence have been underlined.

Depositions Defendants General Host, Ashton, Alden, Binns, Hamilton and Scott Intend to Offer

In the event that plaintiff offers in evidence at the trial portions of the depositions of John P. Glynn and Timothy T. Day previously designated by him, the following additional portions of those depositions will be offered into evidence by defendants Host, Ashton, Alden, Binns, Hamilton and Scott.

Complete listings of the pages and lines of those portions of said depositions which defendants may choose to offer are as follows:

Glynn Testimony

<u>Page</u>	<u>Lines</u>
49	3-9
50	2-9
98	9-21
119	15-17
135	24-25
136	1-25
137	1-5

Day Testimony

<u>From</u>	<u>Through</u>
p. 51, line 9	p. 52, line 24
p. 54, line 9	p. 56, line 1
p. 64, line 25	p. 65, line 20
p. 73, line 10	p. 73, line 13
p. 75, line 11	p. 75, line 17
p. 88, line 24	p. 89, line 11
p. 90, line 5	p. 92, line 2
p. 99, line 15	p. 101, line 8
p. 103, line 3	p. 103, line 16

Depositions Defendants Allen & Co. and Allen, Inc. Intend to Offer

If plaintiff reads into evidence the portions of the deposition transcripts of John P. Glynn, Timothy T. Day and Alan McDowell designated by him, defendants Allen Inc. and Allen & Company will request, pursuant to FRCP 32 (a)(4), that

plaintiff be directed to read into evidence the portions of said depositions underlined in red in the transcripts submitted herewith. The defendants Allen Inc. and Allen & Company preserve the objections stated in the portions of the transcripts designated by the parties to be read into evidence and such objections as may be raised at trial under FRCP 32 (b).

Defendants Allen Inc. and Allen & Company have not designated portions of the deposition of Herbert A. Allen conducted by plaintiff on February 12, 1975 because plaintiff has indicated an intention to read that entire deposition into evidence. Defendants Allen Inc. and Allen & Company preserve the objections stated in that deposition and such objections as may be raised at trial under FRCP 32 (b).

Defendants Allen Inc. and Allen & Company object to plaintiff's reading into evidence any portion of the deposition of Arthur Bettauer. Neither Arthur Bettauer nor his employer Price Waterhouse is a party to this action and, therefore, the reading of his deposition testimony into evidence is not authorized under FRCP 32 (a)(2). In addition, the circumstances are not such as would permit the reading into evidence of Mr. Bettauer's deposition testimony under FRCP 32 (a)(3).

Defendants Allen Inc. and Allen & Company preserve the objections stated in the portion of the SEC deposition of Herbert A. Allen designated by plaintiff and such other objections as may be raised to such testimony at trial under FRCP 32 (b).

JA 685

Defendants Allen Inc. and Allen & Company intend to offer into evidence at trial the portions of the deposition of the plaintiff Alan L. Spielman underlined in red in the transcript submitted herewith.

The exhibits each party now expects to offer at the trial are as follows:

A. Stipulated Exhibits of Plaintiff:

The parties have stipulated that the following exhibits which plaintiff expects to offer are authentic, that each document purporting to be mailed was mailed to the persons indicated thereon, that each document purporting to be published was published on the date indicated and that each party waives objections under the best evidence rule but each party reserves all objections based on materiality and relevance.

1. Accounting Research Bulletin No. 51 dated August 1959
2. General Host's 1968 report to stockholders
3. Conformed copy of General Host Corporation, note purchase agreement, dated August 2, 1968, relating to 5 percent convertible subordinated notes due June 15, 1988
4. Confidential memo from Ned Patterson to Herbert A. Allen dated August 6, 1968
5. Article from the Wall Street Journal dated September 10, 1968, from Price Waterhouse's file
6. Letter from Allen Inc. by Charles Lob to Mr. M. Frank Cummings, vice president and comptroller of General Host, dated September 9, 1968
7. Renumbered - Document 56, below.
8. Document entitled "Confidential Report on Armour & Company"
9. 2 page document dated 12-2-68 to members of Corporate Long Range Planning Review Group from J. N. Bonne

10. Photocopy of memorandum dated December 9, 1968 from Price Waterhouse to General Host Corporation
11. 1 page document entitled "General Host Corp. Confidential Time Table"
12. 1 Photocopy of document entitled "General Host Corp. Proposed Financing Plan"
13. One-page work paper, bearing on top "Prepared by Allen & Co. on 12/6 or 12/7 for decision as to pricing bond rate, term, et cetera (basic terms)"
14. Work paper bearing the writing on top, "Determination of value of warrants"
15. Letter from Alan S. McDowell to John P. Glynn dated December 20, 1968
16. General Host's preliminary S-1 Registration Statement filed with the SEC on December 30, 1968
17. Amendment No. 1 to the December 30, 1968 S-1 Registration Statement
18. Letter from John P. Glynn, comptroller of General Host to SEC dated January 6, 1969
19. Two-page memo dated January 13, 1969, headed "Armour & Company, Memorandum for the Files"
20. General Host's Notice of Special Meeting of Shareholders to be held January 20, 1969 and Proxy Statement dated December 27, 1968
21. Record on Appeal in U.S. Supreme Court of proceedings in the United States District Court for the Northern District of Illinois in the matter of United States of America v. Swift and Company, et al., civil action no. 58 C 613, dated January 21, 1969
22. Report by Laird Incorporated to General Host dated January 29, 1969
23. Prospectus dated January 30, 1969 of General Host Corporation
24. 4 page document dated 1-30-69 to H. J. Ashton from T. T. Day
25. Deposition of Alan S. McDowell taken on January 31, 1969 in Armour & Co., et al v. General Host, et al
26. Transcript of testimony of John W. Zick given before Judge Weinfeld on February 5, 1969 in

Armour & Co., et al v. General Host, et al

27. Transcript of the testimony of John W. Zick given before the Illinois Securities Division on February 7, 1969
28. Transcript of hearing testimony of Arthur Bettauer given before the Illinois Securities Division on February 7, 1969
29. Affidavit consisting of four pages, with an attached list of Tables of John Zick
30. Photocopy of memorandum for the files re General Host Corporation dated February 11, 1969
31. Proof of an advertisement printed by General Host with respect to its exchange offer progress for Armour & Company securities, dated February 12, 1969
32. Proof of an advertisement printed by General Host with respect to its exchange offer progress for Armour & Company securities, dated February 13, 1969
33. Photocopy of memorandum of hearing before the Kentucky Division of Securities dated February 14, 1969
34. Transcript of Mr. McDowell's testimony given before the Illinois Securities Division on February 19, 1969
35. Transcript of the hearing testimony of John P. Glynn given before the Illinois Securities Division on February 19, 1969
36. Photocopy of memorandum on stockholders meeting of General Host Corporation dated March 27, 1969
37. Three-page document, the first page of which is headed "File: Armour"
38. Three-page memorandum dated April 2, 1969, headed at the top, "Armour & Company, Memorandum for the Files"
39. Document which is summary of bonds which were outstanding in February 1969 which were considered to be comparable to the General Host securities which were being offered in exchange for the Armour securities
40. Copy of newspaper article dated May 18, 1970 with the headline, "1969 Loss Listed by General Host"
41. General Host's 1969 Annual Report

42. General Host's form S-1 filed with the SEC on June 19, 1970
43. Document on yellow paper bearing the writing, "Convertible preferred stocks, Kalb Voorhis-9/15/69"
44. Publication of Kalb Voorhis, dated September 15, 1969
45. Yellow sheet of paper, bearing on the top, "Warrants, Kalb Voorhis, 9-15-69"
46. Document entitled "Warrant value, Kalb Voorhis, September 15, 1969"
47. Draft of letter dated September 25, 1969
48. Letter dated September 25, 1969, addressed to the Board of Directors, General Host Corporation, a Xerox copy
49. Group of documents on yellow sheets, marked as a group
50. Six pages dated October 15, 1969, addressed to the Board of Directors, General Host Corporation, on Allen & Company, Incorporated letterhead
51. General Host's 1970 Annual Report
52. Pages 2,799 through 2,807 of SEC Institutional Investors' Study
53. Learned treatises and other standard works used in arriving at Interest Coverage formulations
54. Various accounting material dealing with question of the propriety of consolidating financial statements, the tax consequence of consolidation and cash flow analyses

B. Other Exhibits of Plaintiff:

55. Allen Inc. and Allen & Co. answers to the first set of Interrogatories of the SEC action 73 Civ. 275 (EW) and in particular, the answers to Interrogatories No. 1 (a) (b) (c) (d) (e) and (f), No. 2, No. 3, No. 4, No. 5, No. 6, No. 9, No. 11, No. 14, No. 17, No. 19, No. 142, No. 143, No. 144, No. 145, No. 146, No. 150 and No. 180
56. Copy of Price Waterhouse & Co. memorandum dated November 22, 1968.
57. *Transcripts of testimony given by Hinton & Puller during course of SEC private investigation*
58. *Document designated as 48 above*
59. *Document designated as 50 above*

C. Stipulated Exhibits of Defendants:

The parties have stipulated that the following exhibits which Defendants expect to offer are authentic, that each document purporting to be mailed was mailed to the persons indicated thereon, that each document purporting to be published was published on the date indicated and that each party waives objections under the best evidence rule but each party reserves all objections based on materiality and relevance:

- A-1. Certificate of Incorporation of Armour filed December 24, 1947.
- A-2. Appendix A to Certificate of Incorporation, dated April 20, 1965.
- A-3. By-laws of Armour, as amended May 2, 1968.
- A-4. Armour, Annual Report 1968.
- A-5. Armour, Annual Report 1969.
- A-6. Armour press release, dated October 31, 1968.
- A-7. List of banks to which Armour press release, dated October 31, 1968, was sent.
- A-8. Article, Wall Street Journal, dated November 1, 1968, concerning a motion filed by Armour in U. S. District Court, Chicago, Illinois, to clarify the intentions of General Host.
- A-9. Letter, dated November 12, 1968, to Harry J. Volk, President of Union Bank, Los Angeles, from J. Speer, Vice President and Treasurer of Armour.
- A-10. Letter, dated November 25, 1968, from Sullivan & Cromwell to the Securities and Exchange Commission.
- A-11. Letter, dated December 10, 1968, to Philip A. Loomis, Jr., General Counsel, SEC, from Kirkland, Ellis, Hodson, Chaffetz & Masters, by Elmer W. Johnson, re General Host Corporation and Armour and Company.
- A-12. Letter, dated December 12, 1968, from the SEC to Armour attorneys.

- A-13. Letter, dated December 16, 1968, from Kirkland, Ellis, Hodson, Chaffetz & Masters, by Elmer W. Johnson, to Philip A. Loomis, General Counsel, SEC, re General Host Corporation and Armour and Company.
- A-14. Letter, dated December 16, 1968, to Donald W. Campbell, Vice President, Continental Illinois National Bank & Trust Company of Chicago, from J. Speer, Vice President and Treasurer of Armour, and 14 other identical letters to banks, marked "14A" through "14N".
- A-15. Proof of General Host proxy statement dated December 16, 1968.
- A-15(1) General Host announcement of exchange offer dated December 23, 1968.
- A-16. Article, Wall Street Journal of December 24, 1969, concerning General Host exchange offer.
- A-17. Proxy statement of General Host, dated December 27, 1968.
- A-18. Form S-1 Registration Statement, filed December 30, 1968 with the SEC, to register warrants, debentures and common stock being issued in connection with the exchange offer.
- A-19. Exhibits to Form S-1 Registration Statement, filed December 30, 1968 with the SEC.
- A-20. Article, Wall Street Journal of December 31, 1968, concerning Armour criticism of General Host exchange offer.
- A-21. Memo from Sullivan & Cromwell to the SEC, dated January 2, 1969.
- A-22. Letter from Sullivan and Cromwell to SEC, dated January 6, 1969.
- A-23. Letter, dated January 6, 1969, re General Host Corp. - Armour and Company, from Kirkland, Ellis, Hodson, Chaffetz & Masters, by Elmer W. Johnson, to Mark Borten, SEC.
- A-24. Supplement, dated January 9, 1969, to proxy statement of General Host of December 27, 1968.
- A-25. Advertisement appearing in the Wall Street Journal, January 9, 1969, prepared by Armour, opposing General Host exchange offer.
- A-26. Letter, dated January 9, 1969, from Armour to its stockholders.
- A-27. Additional supplement dated January 14, 1969, to General Host proxy statement of December 27, 1968.
- A-28. Letter, dated January 17, 1969, from the SEC to Armour attorneys.

- A-29. Proxy statement of Armour, dated January 17, 1969, to shareholders of record of January 7, 1969.
- A-30. Letter dated January 18, 1969 from Joseph McLaughlin of Sullivan & Cromwell to R. M. Mett, Office of the Commission of Securities, Madison, Wisconsin, re: "Host Filing in Wisconsin of Application for Qualification of Certain Securities of General Host Corporation".
- A-31. Article, Wall Street Journal of January 22, 1969, concerning the denial by Federal Court of the Justice Department's request for a temporary restraining order barring the exchange offer.
- A-32. Letter to Mark Borten of the SEC, dated January 23, 1969, from Elmer W. Johnson, Kirkland, Ellis, Hodson, Chaffetz & Masters.
- A-33. Letter dated January 23, 1969 from Margaret D. Merli of Sullivan & Cromwell to Gregory D. Buckley, Securities Commissioner, Indianapolis, Indiana, re: "General Host Corporation - Armour & Co. Exchange Offer", and 47 identical letters to other state Blue Sky Commissioners marked 33(A)-33(UU).
- A-34. Letter from Sullivan & Cromwell to the SEC, dated January 24, 1969.
- A-34(1). Article, New York Times of January 24, 1969 concerning Armour suit.
- A-35. Tender offer of Greyhound Corp. for common stock of Armour, dated January 27, 1969.
- A-36. Article, Wall Street Journal of January 27, 1969, concerning the General Host exchange offer.
- A-37. Letter, dated January 27, 1969, from Armour to its stockholders, transmitting tender offer of Greyhound Corp.
- A-38. Letter dated January 27, 1969 from Joseph McLaughlin of Sullivan & Cromwell to MacDonald Gallion, Securities Commissioner, Montgomery, Alabama, and 11 other state Blue Sky Commissioners, marked 38(a) through (K).
- A-39. Letter dated January 27, 1969 from Joseph McLaughlin of Sullivan & Cromwell to James L. McKenna, Chief, Bureau of Securities, Newark, New Jersey, and two other identical letters to state Blue Sky Commissioners marked 39(A) and (B).
- A-40. Telegram dated January 27, 1969 from Joseph McLaughlin of Sullivan & Cromwell to Stanley R. Hays, Securities Commissioner, Denver, Colorado, re: "General Host Corporation Exchange Offer to Common Stockholders of Armour & Co.", also addressed to four other state Blue Sky Commissioners.

- A-41. Letter dated January 28, 1969 from Joseph McLaughlin of Sullivan & Cromwell to Claude Keeler, Jr., Director of Securities, Phoenix, Arizona, re: "General Host Corporation Exchange Offer to Common Stockholders of Armour & Co.", and 9 other identical letters to state Blue Sky Commissioners, marked 41(A) through (I).
- A-42. The following court papers in Armour & Co., et al. v. General Host Corporation, et al. (69 Civ. 279):
- (A) Complaint as filed January 23, 1969.
 - (B) Transcript of hearing held before Judge Weinfeld on February 5, 1969.
 - (C) Opinion of the Court dated February 7, 1969 as reported at 296 F.Supp. 470.
 - (D) Affidavit of John P. Glynn dated February 1969.
- A-43. Article, Wall Street Journal of January 24, 1969 concerning the filing of a suit by Armour to block General Host's tender offer.
- A-44. Advertisement, Wall Street Journal of January 28, 1969, announcing Greyhound tender offer.
- A-45. Article, Wall Street Journal, of January 28, 1969 concerning Greyhound's tender offer.
- A-46. Amendment No. 2 filed January 29, 1969, to General Host Form S-1 Registration Statement of December 30, 1968.
- A-47. Letter dated January 30, 1969 to Manuel F. Cohen, Chairman SEC, from Robert A. McDowell, Sullivan & Cromwell.
- A-48. Memorandum of General Host Corporation, "Computation of Status under §3(a)(3) of the Investment Company Act of 1940", as received by the SEC on January 30, 1968.
- A-49. Dealer Manager Agreement between Allen, Inc. and Kleiner, Bell & Co. Inc. and General Host dated January 30, 1969.
- A-50. "Comfort" letter of Price Waterhouse & Co. dated January 30, 1969, delivered pursuant to §6B of Dealer Manager Agreement between Host, Allen and Kleiner, Bell.
- A-51. SEC order dated January 30, 1969 declaring the Host Registration effective.
- A-52. Letter from Sullivan & Cromwell to SEC dated January 31, 1969.
- A-53. Article, Wall Street Journal, January 31, 1969, concerning Greyhound's revised tender offer.

- A-54. Advertisement, Wall Street Journal, January 31, 1969, announcing revised Greyhound offer.
- A-55. Letter dated January 31, 1969 from Greyhound to Armour stockholders concerning the revised offer.
- A-56. Post-effective Amendment No. 1 and exhibits thereto filed February 3, 1969 to General Host Corporation Form S-1 Registration Statement of December 30, 1968.
- A-57. Letter dated February 4, 1969 from Herbert A. Allen, Allen & Co., to Harris J. Ashton.
- A-58. Letter from Sullivan & Cromwell to the SEC dated February 6, 1969.
- A-59. Advertisement, Wall Street Journal, February 6, 1969, relating to Greyhound tender offer.
- A-60. Letter from Sullivan & Cromwell to SEC dated February 7, 1969.
- A-61. Letter Opinion dated February 7, 1969 from Connolly, Bove & Lodge, Wilmington, Delaware Re: "Shareholder Proposal for the Annual Meeting of Armour & Co. to be held February 21, 1969.
- A-62. Article, Wall Street Journal, of February 7, 1969, concerning legal moves taken by Armour in States to block Host's tender offer.
- A-63. Letter dated February 10, 1969 from Greyhound to Armour.
- A-64. Supplement, dated February 10, 1969, to Armour's January 17, 1969 proxy statement.
- A-65. Advertisement, February 10, 1969, prepared by Armour.
- A-66. Diary of Alan S. McDowell from December 1968 through February 1969.
- A-67. Article, Wall Street Journal of February 11, 1969, concerning Greyhound's extension of its tender offer and raise of offer to \$72.00
- A-68. Letter dated February 13, 1969 from Greyhound Food Management Inc. to Armour common stockholders.
- A-69. Telegram dated February 13, 1969 to Harold McCart, SEC, from H. H. Borstelmann, Exchange Agent, First Jersey National Bank, giving total amounts of Armour shares tendered to General Host.
- A-69(1) Order of Kentucky Securities Commission dated February 13, 1969 declaring tender offer effective.

- A-70. Minutes of Annual Stockholders Meeting of Armour & Co. held in Chicago on February 21, 1969.
- A-71. General Host Press Release dated June 24, 1969, announcing the sale of General Host's stock in Armour to Greyhound.
- A-72. Article, New York Times of June 25, 1969, concerning Host's proposed sale of its Armour holdings to Greyhound.
- A-73. Article, Wall Street Journal of July 7, 1969 concerning clarification of the sale to Greyhound.
- A-74. Loan Agreement dated July 30, 1969 between General Host and Continental Illinois National Bank & Trust Co. of Chicago.
- A-75. "Composite copy of \$28.7 million Subscription Agreement entered into between General Host Corporation and several banks in June 1969, as amended July 15, 1969 and August 8, 1969."
- A-76. Press Release, September 11, 1969 concerning General Host - Greyhound Agreement in principle.
- A-77. Press Release, Tuesday, October 28, 1969, prepared by General Host Corporation - "General Host and Greyhound sign definitive contract for sale of Host's Armour stock to Greyhound."
- A-77(1) Written agreement between General Host and Greyhound dated October 28, 1969.
- A-78. Proxy Statement of General Host Corporation dated January 20, 1970, with respect to approval of sale of General Host's holding of Armour stock.
- A-79. Proxy Statement of Armour, dated January 1970.
- A-80. General Host Interim Report for 12 weeks ended March 22, 1969.
- A-81. "General Host Corporation, Proposed Financing Plan", April 30, 1969.
- A-82. Minutes of Meeting of Board of Directors of Armour held on May 7, 1970.
- A-83. Press Release dated May 15, 1970, "General Host Confirms Sale of Armour Stock to Greyhound".
- A-84. General Host Interim Report for 2d Quarter 1969.
- A-85. Prospectus of General Host dated June 10, 1971.

A-86. Complaint filed in SEC v. General Host Corporation, et al.
United States District Court, Southern District of New York
73 Civ. 275.

D. Other Exhibits of Defendants:

A-87. Chart prepared by General Host - "General Host Pro Forma
Statement of Cash Flow".

A-88. Unexecuted Option Agreement between Greyhound Corporation,
Greyhound Food Management, Inc. and General Host Corpora-
tion dated March 19, 1969.

8. Defendant, Richard C. Pistell, adopts the above stipulated facts and the issues stated on behalf of defendants, General Host, Ashton, Alden, Burns, Hamilton, Scott, etc.

~~Defendant Pistell does not presently intend to offer in evidence~~ at the trial of this matter any deposition transcripts, or portions thereof, but reserves the right to introduce and unless otherwise stated at the time of trial, will rely on such deposition transcripts or portions thereof, as may be introduced on behalf of Defendants, General Host, Ashton, Alden, Burns, Hamilton, Scott, etc.. Defendant Pistell does not presently intend to offer in evidence at the trial of this matter any documents, but reserves the right to introduce and, unless otherwise stated at the time of trial, will rely on the above enumerated Defendants' documents or portions thereof. Defendant Pistell intends to use the following witnesses at the trial: Richard C. Pistell - in person.

9. Trial of the action shall commence April 14, 1975. The only issues to be tried shall be issues relating to liability. If required, other issues, including but not limited to, damages, reliance, causation, contribution, indemnification, propriety of membership in the class by any particular person, other issues relating to class action status, statute of limitations, shall be reserved for later disposition by the Court.

Dated: New York, New York
April 9, 1975

SO ORDERED

s/sd Schubert
United States Magistrate

CONSENTED TO:

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Richard C. Pistell

(284)
JA 699

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK



----- x
ALAN L. SPIELMAN, :

Plaintiff, :

-against- :

73 Civ. 573

GENERAL HOST CORPORATION, RICHARD :
C. PISTELL, HARRIS J. ASHTON, :
WHITCOMB ALDEN, JR., JOSEPH :
R. BINNS, WILLIAM F. DOWNEY, :
WESTON E. HAMILTON, WILLIAM P. :
HOWE, JR., J. ELROY McCRAW, EDWIN :
C. McDONALD, LESLIE W. SCOTT, :
ALLEN & COMPANY, INC., ALLEN & :
COMPANY, KLEINER, BELL & CO., :
INC., SEYMOUR M. LAZAR, EUGENE V. :
KLEIN, ALLEN MANUS, CECIL MANUS :
and GREAT AMERICAN INSURANCE :
COMPANY, :

OPINION

Defendants.:
----- x

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JA 700

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This is yet another lawsuit arising from the 1969 contest between General Host Corporation ("General Host") and a wholly-owned subsidiary of the Greyhound Corporation ("Greyhound") for control of Armour & Co. ("Armour").⁽¹⁾ Plaintiff Alan L. Spielman brings this class action on behalf of holders of Armour common stock or convertible debentures⁽²⁾ against General Host, certain of its direc-

(1) See Voegel v. Ackerman, _____ F. Supp. _____ (S.D.N.Y. 1975); Armour & Co. v. General Host Corp., 296 F. Supp. 470 (S.D.N.Y. 1969).

(2) The class is composed of three subclasses:

"(a) Those persons or entities who held Armour securities, either common stock or convertible debentures, prior to July 29, 1968, and exchanged them for General Host debentures and warrants pursuant to an Exchange Offer alleged hereinbelow and did not accept the Greyhound Cash Tender Offer alleged below;

"(b) Those persons or entities who purchased Armour securities, either common stock or convertible debentures, between July 29, 1968 and February 14, 1969, did not accept the Greyhound Cash Tender Offer, and exchanged them for General Host debentures and warrants issued pursuant to the said Exchange Offer;

"(c) Those persons or entities who purchased Armour securities between July 29, 1968 and February 14, 1969 and held them without tendering them to either General Host or Greyhound."

tors at the time of the exchange offer, and Allen & Co., Inc., one of the dealer-managers of the exchange offer. (3) Plaintiff contends that Armour security holders were materially misinformed during the battle for control of Armour because the General Host prospectus of January 30, 1969 was misleading in failing to set forth relevant facts concerning (1) General Host's ability to meet its cash needs from internally generated funds and (2) its ability to secure effec-

footnote 2 cont'd

Defendants are entitled to judgment as to the third subclass. The theory of plaintiff's case is that the General Host prospectus was materially misleading in failing to disclose the alleged risks that General Host was incurring in making its offer, and hence that it overstated the merits of the offer. There is no claim that General Host fraudulently understated the desirability of its offer. See Blue Chip Stamps v. Manor Drug Stores, 43 U.S.L.W. 4707 (U.S. June 9, 1975). Thus plaintiff has failed to show that those who did not exchange their Armour securities for General Host debentures were in any way injured by the alleged misstatements and omissions.

- (3) At the conclusion of the trial, the case was dismissed as to Allen & Co., a partnership in the securities business that caused the formation of Allen & Co., Inc. in 1965.

tive operating control of Armour upon successful completion of its exchange offer. Thus, plaintiff contends defendants violated section 14(c) (4) of the Williams Act and the antifraud provisions of the Securities Act of 1933 (5) and the Securities Exchange Act of 1934. (6)

On December 12, 1968, having already acquired 16-1/2% of the then outstanding Armour common stock, General Host filed a Schedule 13D with the Securities and Exchange Commission reporting that it was considering the possibility of obtaining control of Armour based upon an exchange offer for additional Armour securities. On December 23, 1968, after consultation with its dealer-managers, Allen & Co., Inc. and Kleiner, Bell & Co., General Host announced that it would offer to exchange for Armour securities its 7% subordinated debentures in the principal amount of \$347,040,000 due February 1, 1994, and warrants to purchase General Host common stock. On December 30

(4) 14 U.S.C. § 78n(e) (1970).

(5) § 17(a), 15 U.S.C. § 77q(a) (1970).

(6) § 10b, 15 U.S.C. § 78j(b) (1970).

it filed a registration statement and prospectus with the Securities and Exchange Commission. The proposed exchange offer specified that General Host would not accept any Armour securities unless a sufficient number of Armour shares or convertible debentures were tendered so that General Host would own, together with its previously acquired shares, more than 50% of the outstanding Armour common stock, assuming conversion of all Armour debentures tendered. The final ratio of exchange was \$60 principal amount of General Host debentures and 2-1/2 warrants for each Armour share or for Armour debentures in the principal amount required upon conversion to obtain a share of Armour common stock. The Commissioners of the SEC declared the prospectus effective on January 30, 1969. The exchange offer expired on February 14, 1969.

General Host's offer met with hostility from Armour management. Armour's opposition was manifested even before the formal offer was advanced. Its counsel urged the SEC to investigate alleged securities law violations by General Host and sent the Com-

mission several letters and memoranda in December and January pointing out purported defects in General Host's prospectus. Armour unsuccessfully sought a preliminary injunction in this Court, contending that the General Host registration statement was deficient, among other matters, in not indicating "the unlikelihood that General Host would be able to pay principal and interest as due, based on (1) the projected cash flow of General Host after the exchange offer; (2) the net tangible assets of General Host after the exchange offer; [and] the (7) terms of the debentures. . . ."

The evidence at this trial again demonstrated that:

"Armour's opposition was not limited to representations before official bodies. Through the month of January, 1969, while the registration was being processed, Armour publicly attacked the General Host proposal, and its views were widely disseminated. The news media, based on press releases issued by the Armour group, published the specific claims that it was very unlikely General Host would be able to pay

(7) *Armour & Co. v. General Host Corp.*, 296 F. Supp. 470, 473 (S.D.N.Y. 1969).

principal and interest on the subordinated debentures; that the value of the warrants was illusory, and that the tax consequences to Armour stockholders would be adverse. A full-page advertisement addressed to Armour stockholders by the Chairman of the Armour board, published in the Wall Street Journal, The New York Times and other news media throughout the country, denigrated the General Host securities and went into considerable detail as to the undesirability of the exchange. His statement raised questions whether General Host would have the cash flow necessary to service its greatly increased debt and touched upon other claimed deficiencies." (8)

Before the General Host registration statement became effective, a Greyhound subsidiary made a competing offer to Armour shareholders, a cash tender for Armour stock that was later increased to \$72 per share of Armour common stock.

As a result of its exchange offer, General Host acquired about 55% of the outstanding Armour common stock, assuming conversion of the Armour debentures. Greyhound received approximately 32% of Armour common as a result of its cash offer and other purchases.

While the amended complaint contains many

(8) *Armour & Co. v. General Host Corp.*, 296 F. Supp. 470, 474 (S.D.N.Y. 1969).

free-wheeling allegations of conspiracy and fraudulent conduct, at the trial the claims were narrowed to the two basic issues indicated: the adequacy of disclosure in the General Host prospectus disseminated to Armour shareholders concerning General Host's ability to meet its debt obligations from internal cash flow and impediments to its ability to obtain effective operating control of Armour.

The antifraud provisions of the securities laws prohibit the making of any untrue statement of a material fact or any omission to state a material fact "necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading."⁽⁹⁾

"Materiality" in the abstract is, of course, a meaningless concept. Materiality centers about the significance of the misstatement or omission of the

(9) § 17(a)(2) of the Securities Act, 15 U.S.C. § 77q(a)(2) (1970); Rule 10b-5, 17 C.F.R. § 240.10b-5 (1974); § 14(e) of the Williams Act, 15 U.S.C. § 78n(e) (1970).

fact under consideration to a reasonable investor's judgment in deciding to buy or sell. Thus, it can be given content only by considering all the circumstances surrounding the transaction. (10) The determination of materiality is to be made upon all the facts as of the time of the transaction and not upon (11) a 20-20 hindsight view long after the event. The ultimate issue is whether "any of the shareholders who tendered their shares would probably not have tendered their shares" had the alleged violation not (12) occurred.

The fact that the alleged violation occurred in the context of a hotly contested battle for control

(10) R. Jennings & H. Marsh, Securities Regulation 1129 (1972).

(11) Chris-Craft Indus., Inc. v. Piper Aircraft Corp., 480 F.2d 341, 363 (2d Cir.), cert. denied, 414 U.S. 910 (1973).

(12) Electronic Specialty Co. v. Internat'l Controls Corp., 409 F.2d 937, 948 (2d Cir. 1969); General Time Corp. v. Talley Indus. Inc., 403 F.2d 159, 162 (2d Cir. 1968), cert. denied, 393 U.S. 1026 (1969).

of a target company is a circumstance to be considered in determining whether there has been an actionable failure to disclose material facts. (13) In addition, the fact that there is a contest for control means that a failure to present information may be rendered harmless by disclosure from others, such as the target company, the competing tenderor or outside sources. (14) A defendant may not be faulted for failure to repeat material information which has been publicly proclaimed in various ways on other occasions.

(13) *Chris-Craft Indus., Inc. v. Piper Aircraft Corp.*, 480 F.2d 341, 362-63 n.14 (2d Cir.), cert. denied, 414 U.S. 910 (1973); *Electronic Specialty Co. v. International Controls Corp.*, 409 F.2d 937, 946 (2d Cir. 1959); *General Time Corp. v. Talley Indus., Inc.*, 403 F.2d 159, 162 (2d Cir. 1968), cert. denied, 393 U.S. 1026 (1969); *McConnell v. Lucht*, 320 F. Supp. 1162, 1165 (S.D.N.Y. 1970).

(14) *Smallwood v. Pearl Brewing Co.*, 489 F.2d 579, 606 (5th Cir.), cert. denied, 419 U.S. 873 (1974); *Chris-Craft Indus., Inc. v. Piper Aircraft Corp.*, 480 F.2d 341, 377, 401 (2d Cir.), cert. denied, 414 U.S. 910 (1973).

The adequacy of disclosure of material information must be evaluated by a consideration of the "total mix" of all information conveyed or available to investors. (15)

The issue presented by this case, therefore, is not, as plaintiff myopically visualizes it, simply whether the General Host prospectus failed to state material facts, but whether Armour security holders were unable to make an informed investment decision because of alleged deficiencies in the prospectus, defects which, assuming any are found to exist, were never cured by information contained in

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- (15) *Chris-Craft Indus., Inc. v. Piper Aircraft Corp.*, supra; *Mitchell v. Texas Gulf Sulphur Co.*, 446 F.2d 90, 103 (10th Cir.), cert. denied, 404 U.S. 1004 (1971); *Johnson v. Wiggs*, 443 F.2d 803, 806 (5th Cir. 1971); *Butler Aviation Int'l, Inc. v. Comprehensive Designers, Inc.*, 425 F.2d 842, 844 (2d Cir. 1970); *Hafner v. Forest Labs., Inc.*, 345 F.2d 167, 168 (2d Cir. 1965); *Winokur v. Bell Fed. Savings & Loan Assoc.*, 58 F.R.D. 178, 181 (N.D. Ill. 1972); *McConnell v. Lucht*, 320 F. Supp. 1162, 1165 (S.D.N.Y. 1970); *Nicholson File Co. v. H.K. Porter Co.*, 341 F. Supp. 508, 521 (D.R.I. 1972), aff'd, 482 F.2d 421 (1st Cir. 1973).

other communications to Armour shareholders.

JA 711

Plaintiff now argues that, of the two alleged defects in the prospectus, "the control problem was the most important aspect of the exchange offer."⁽¹⁶⁾ However, the evidence reveals, and plaintiff's own amended complaint confirms, that the primary issue at the time of the exchange offer was General Host's ability to meet its debt obligations under the debentures to be issued to Armour security holders pursuant to the exchange offer. The control issue -- whether or when General Host could get operating control of Armour -- was subsidiary to this cash flow issue and but a part of it. Accordingly, plaintiff's two claims must be considered in this framework.

⁽¹⁶⁾ Plaintiff's Reply Brief at 2.

Plaintiff argues that Armour security holders lacked material information concerning the exchange offer because the prospectus failed to disclose that General Host was not relying on its historical earnings, but upon management's projection of cash flow from operations, to meet its debt and debt service payments as they became due. Relative thereto, he further argues that Armour shareholders were inadequately advised of the risks involved in General Host's plan to acquire a majority of Armour's common stock.

The prospectus does not say that General Host intended to rely on its cash flow to meet its obligations. To the contrary, the prospectus refers to alternative methods by which General Host could raise cash to service debt during the period required to obtain control of Armour. It states that if there is no merger or consolidation and if General Host has not acquired more than 80% of Armour's stock, thus allowing it to effect tax saving arrangements, it may find it necessary or desirable to incur new indebted-

ness or issue additional equity securities. The prospectus also states that upon consummation of the exchange offer General Host may find it desirable to dispose of some of the assets held by it or Armour, Far from representing that General Host could meet its cash flow needs from internally generated funds, the prospectus discloses that it may be necessary or desirable to raise additional cash and sets forth alternative sources available to it.

In analyzing the adequacy of disclosure to Armour concerning General Host's cash flow, it is important to realize that the SEC prohibited the inclusion of earnings projections in a prospectus. Plaintiff concedes that because of this Commission policy, General Host could not disclose its projected earnings. He argues, however, that it was materially misleading for General Host not to disclose that, on the basis of historical rather than projected earnings, it would not have adequate cash flow to meet its obligations under the debentures. This argument is without merit. The evidence refutes the claim that failing to disclose this item constitutes an omission

to state a material fact "necessary in order to make the statements made in light of the circumstances under which they were made, not misleading." (17)

Plaintiff's contention that General Host was required to state that historical earnings were inadequate for cash flow needs necessarily assumes that General Host had made a representation that it was relying on its cash flow to meet its cash requirements. As indicated, there was no such representation, express or implied, and the prospectus stated that General Host may find it desirable to do a number of things after the exchange offer to generate needed cash. The prospectus contained no statement as to cash flow that a reasonable investor would rely upon to his detriment absent the additional information suggested by plaintiff.

Though plaintiff concedes that General Host could not disclose projected earnings in the prospectus, he inconsistently argues that it should have informed Armour stockholders that it was relying on

(17) See statutes cited note 9 supra.

projected earnings, as opposed to historical results, to service its debt. To repeat, General Host never represented that it was relying on earnings, historical or projected, to meet its cash needs. To have stated, as plaintiff argues it should have, that it was relying on predicted future earnings to meet debt service needs would have been to make a projection that future earnings would be adequate to meet General Host's cash obligations, and this of course (18) it could not do.

The fact was that General Host's internal study dated January 30, 1969, indicated that it would have sufficient cash flow, based on projected earnings and dividends of Armour stock at various levels of ownership, to meet its cash needs for the years 1969 and 1970. Plaintiff responds that this cash flow analysis was defective in that it omitted material items, namely two debt obligations, and that

(18) Such a statement would also have been inaccurate, because while General Host thought its cash flow was adequate, it was not exclusively relying on it.

consequently the prospectus was misleading in failing to disclose that General Host could not meet its debt obligations out of internally generated funds. Thus he contends that (1) the analysis did not account for repayments of \$9.4 million due to various insurance companies on loans due in August 1969, and (2) it made no provision for capital expenditures which had amounted to \$8 million in 1967 and \$6 million in 1968. Neither of these arguments is well-founded.

The General Host cash flow study did not include repayment of the \$9.4 million insurance company loans for the simple reason that General Host intended to refinance the loans. General Host had an opinion letter from the securities firm of Allen & Co. to the effect that if it had more than 50% of Armour's shares as a result of the exchange offer (which was the minimum level of ownership required for the exchange offer to be effective), there would be no difficulty in refinancing the loan. The prospectus stated that General Host "anticipated that [these loans] will be refinanced at the company's present borrowing rate." The evidence fully

supports that statement.

JA 717

As to the capital expenditure claims, plaintiff's argument that the prospectus did not reveal the impact of General Host's increased cash flow needs for its newly issued debentures on its capital expenditure program is refuted by the language of the prospectus:

The Company proposes to continue its capital expenditures program during 1969 using funds to be derived from retained earnings and accumulated depreciation. There can, however, be no assurance this program will continue because it depends in part on funds to be generated by operations.

In addition to cash flow from operations, General Host had available several sources of funds, none of which required working control over Armour. Certain options were stated in the prospectus: General Host could sell part of its assets, incur new debt or issue additional equity securities. Others were available: General Host could call its \$47,400,000 of 5% convertible subordinated notes due 1988 and, since the market price of its stock was above the call price, thereby force a conversion

and eliminate interest on the notes; it could utilize a \$6 million line of credit available to it; and it could enter into sale and leaseback arrangements concerning some of its plants, trucks and other vehicles to raise cash. All of these alternative sources of available funds were feasible.

As early as December 1968, counsel for Armour advised the SEC that in its opinion "the high debt-equity ratio of General Host (presently between four and five-to-one) raises important questions as to its sources of repayment of its large borrowings," and urged the Commission to require that the General Host prospectus "show rather explicitly the projected source of funds to service new indebtedness" Despite these communications and meetings by the SEC staff with Armour's counsel in December 1968 and January 1969, the Commission itself, not the staff, declared the General Host registration statement effective. Although, as noted above, Armour specifically raised the matter before the SEC, the Commission made no request that General Host make any statement in

the prospectus as to its ability to service its debt out of cash flow, either historical or as projected.

While the registration of securities by the SEC does not constitute Commission approval of the language of the prospectus (19) and cannot relieve this Court of its duty to exercise an independent judgment on the adequacy of disclosure, clearance by the Commission in the face of charges identical with those presented here may be given some weight, (20) and the documentary evidence of arguments pressed by Armour's counsel upon the Commission makes this a particularly appropriate case in which to give some

(19) 17 C.F.R. § 230.425 (1974).

(20) General Time Corp. v. Talley Indus., Inc., 403 F.2d 159, 163 (2d Cir. 1968), cert. denied, 393 U.S. 1026 (1969); Scott v. Multi-Amp Corp., 386 F. Supp. 44, 73 (D.N.J. 1973); Twentieth Century Fox Film Corp. v. Lewis, 334 F. Supp. 1398, 1402 (S.D.N.Y. 1971); McConnell v. Lucht, 320 F. Supp. 1162, 1166 (S.D.N.Y. 1970); Armour & Co. v. General Host Corp., 296 F. Supp. 470, 475 (S.D.N.Y. 1969); Sherman v. Posner, 266 F. Supp. 871, 874 (S.D.N.Y. 1966); Kauder v. United Board & Carton Corp., 199 F. Supp. 420, 423-24 (S.D.N.Y. 1961); Mack v. Mishkin, 172 F. Supp. 885, 888 (S.D.N.Y. 1959); Dunn v. Decca Records, Inc., 120 F. Supp. 1, 2 (S.D.N.Y. 1954).

credit to the Commission's clearance.

In addition to the Court's finding that General Host was not required to disclose that it was not relying on historical earnings to meet its cash flow needs to make the statements it did make not misleading, the Court finds that Armour security holders were aware of the risks involved in General Host's ability to meet its cash needs from internally generated funds. Two direct mailings to Armour stockholders by Armour's Chairman of the Board raised the issue of the adequacy of General Host's cash flow.

In a letter of January 9, 1969, Armour shareholders were told that the pro forma combined statements of Armour and General Host in the prospectus "raise disturbing questions as to the ability of General Host to pay interest and amortization on its huge debt. Also, they do not take into account the fact that General Host estimates it will spend up to about \$9 million in expenses in making the offer. Interest on this amount, which is almost 25% of General Host's net worth, would substantially reduce net income."

The letter continues by stating that the pro forma combined earnings figures in the General Host registration statement:

"do not mean that General Host would have the cash flow necessary to service its greatly increased debt. For so long as there continue to be any public stockholders of Armour, even if General Host were in control of Armour's Board of Directors, . . . General Host could not use Armour's assets and cash flow -- except by the declaration of dividends -- to service General Host's indebtedness."

A second letter to Armour shareholders of February 10, 1969 advised that:

"General Host already has a top-heavy debt structure, and would add up to \$265,000,000 more if 80% of the Armour shares are acquired in the exchange offer. There is substantial doubt as to General Host's ability to meet its interest requirements, including interest on the proposed debentures.

* * *

"General Host's pro forma operations simply will not generate enough cash to meet its interest requirements unless it can ultimately merge with Armour.

* * *

"General Host states in its prospectus that it may find it desirable upon consummation of the exchange offer to propose a merger with Armour, or to dispose of a portion of the assets presently held by it or by Armour, and that it . . . may find it necessary or desirable to increase the Armour dividend rate or incur new indebtedness or issue additional equity securities. Obviously, this is because without such action, General Host's indebtedness, including the debentures, might otherwise go into default.

* * *

"General Host's exchange offer is now conditioned on its obtaining more than 50% of Armour. . . . If anything less than 100% is obtained, you should weight carefully the fact that Armour's cash flow and assets will not be available to service the debentures."

Both of these letters were also published as full page advertisements in the Wall Street Journal and The New York Times. These newspapers also carried other articles on the battle for control of Armour, in which Armour is quoted as attacking the General Host offer as "financial hocus pocus" amounting to "a pyramiding of paper" on the "already overburdened debt structure of General Host," and as "meaningless balderdash" because

General Host was unlikely to be able to pay the principal amount and interest on the debentures. One article reported that the Wisconsin Securities Commissioner denied General Host's application to register its securities in that state because its offer was "unfair and inequitable to the Armour stockholders because the cash flow of General Host appeared insufficient to cover the interest requirements on the debentures that would be outstanding if the exchange offer were successful."

General Host did not fail to disclose material facts concerning its ability to meet its future cash needs, and even assuming, arguendo, that additional disclosure was needed, the "total mix" ⁽²¹⁾ of communications to Armour shareholders rendered any omission in the prospectus harmless.

(21) Smallwood v. Pearl Brewing Co., 489 F.2d 579, 606 (5th Cir.), cert. denied, 419 U.S. 873 (1974).

CONTROL

Intertwined with the issue of General Host's ability to meet its cash needs -- whether through internal earnings, borrowings, equity offerings, sale of assets, use of bank lines of credit, sale and lease-back arrangements, or calling outstanding debentures -- was the question whether and when General Host could gain operating control of Armour. If General Host could eventually secure 80% ownership of Armour's outstanding common stock, substantial tax savings would result. If General Host could later merge with Armour, it would have Armour's cash flow and assets available to it. General Host's ability to obtain operating control of Armour to effect tax savings, or to propose a merger of the two companies or to increase Armour's dividend, or to take other action, was an integral aspect of a dominant issue in the battle for control of Armour: General Host's ability to meet the interest payments of the debentures it was offering to Armour security holders.

Plaintiff contends that because the prospectus failed adequately to disclose the fact that Armour's Board of Directors is elected for staggered terms of three years and subject to cumulative voting, Armour's shareholders were unaware of the obstacles involved in certain courses of action General Host contemplated. In other words, plaintiff asserts that because the prospectus did not contain a statement to the effect that the mere fact that General Host has more than 50% of Armour's stock does not mean that General Host has effective control, it created the impression that "General Host will be in a position to exercise operating control of Armour very soon after the tender to [General Host] of more than 50 percent of Armour's stock." (22)

In substance, however variously stated, the argument runs that the prospectus was materially misleading because it failed to alert the Armour shareholders to the difficulties that stood in General Host's way before it could obtain effective control of Armour and its Board of Directors, since this was germane to General Host's capacity to meet its debt under the debenture issue and other obligations.

(22) Plaintiff's Post-Trial Brief at 3.

Discussion of plaintiff's argument requires distinguishing between two concepts: (1) stock ownership of more than 50% of Armour's common stock, which ordinarily would be termed a controlling stock interest, and (2) control of Armour's Board of Directors, which could result (a) from soliciting proxies and electing a majority of the Board of Directors -- which in the case of Armour's staggered board and cumulative voting could take two years to accomplish, or (b) from General Host, as the holder of more than 50% of Armour's common stock, securing the working cooperation of a majority of the board, given the fact that eventual control of the board by General Host appeared to be inevitable. Clearly General Host's tender offer, which was conditioned on its owning more than 50% of Armour's common stock, was for what would properly be termed a controlling stock interest. The prospectus does not represent, however, that upon successful completion of the exchange offer General Host would have immediate operating control of Armour. Plaintiff concedes that there is no such express representation. The language used, referred

to hereafter, indicates that after the exchange, further action by General Host was required to get control, thus negating any view that immediate control would be achieved upon acquiring more than 50% of Armour's stock.

Initially, the prospectus advised Armour shareholders that Armour management was hostile to General Host's offer:

"The present management of Armour has announced its opposition to the Exchange Offer in newspaper advertisements, in letters to Armour stockholders, in various press releases, in letters to financial institutions, in written and oral communications with various regulatory agencies and in a lawsuit commenced on January 23, 1969 in the United States District Court for the Southern District of New York."

The prospectus then describes a lawsuit against General Host brought by the Department of Justice in the Northern District of Illinois preliminarily to enjoin the exchange offer, stating that the Court rejected the government's theory that an earlier antitrust decree forbade "acquisition by General Host of a controlling stock interest in Armour." Then the prospectus states:

"General Host intends to act promptly both before and after consummation of the Exchange Offer to obtain control of the board of directors and management of Armour. In this connection it may engage in the solicitation of proxies for the election of directors of Armour and other matters, both at the February 21, 1969 annual meeting of Armour and Company and otherwise.

"General Host may find it desirable upon consummation of the Exchange Offer to propose to stockholders of the relevant corporations a merger or consolidation of it or its present or future subsidiaries with Armour or certain of its subsidiaries, or General Host may find it desirable to dispose of portions of the assets presently held by it or by Armour. If no such merger or consolidation occurs, and if General Host has not acquired more than 80% of Armour's Common Stock, which would allow it to enter into tax-saving arrangements, General Host may find it necessary or desirable to increase the dividend paid on common stock by Armour, or to incur new indebtedness or issue additional equity securities."

On the next page, Armour security holders are directed to Annex A for information about Armour, which states that General Host:

"presently does not participate in the direction or management of Armour. To the best knowledge of General [Host] there are presently 17 directors of Armour. The terms of 6 directors expire in 1969, 5 in 1970 and 6 in 1971. In addition, Armour has cumulative voting."

Plaintiff argues that Armour's staggered Board of Directors and the cumulative voting provision, which could present an obstacle to General Host's acquiring immediate operating control of Armour, was not sufficiently highlighted or emphasized but instead was "buried" in the section of the prospectus describing Armour. However, the suggestion that Armour security holders were misled or unaware of these facts about Armour during the pendency of the exchange offer because of the manner of their presentation in the General Host prospectus disregards the factual situation.

The prospectus was addressed to Armour security holders, and this circumstance affects the extent of disclosure required of General Host concerning publicly available information about Armour. As our

(23) See Titan Group, Inc. v. Faggen, Dkt. No. 74-1694 (2d Cir. April 1, 1975); Missouri Portland Cement Co. v. Cargill, Inc., 498 F.2d 851, 873 (2d Cir.), cert. denied, 419 U.S. 833 (1974); SEC v. Coffey, 493 F.2d 1304, 1313 (6th Cir. 1974), cert. denied, 420 U.S. 908 (1975); Arber v. Essex Wire Corp., 490 F.2d 414, 419-20 (6th Cir. 1974), cert. denied, 419 U.S. 830 (1975); City Nat'l Bank v. Vanderboom, 422 F.2d 221, 231 (8th Cir.), cert. denied, 399 U.S. 905 (1970); Myzel v. Fields, 386 F.2d 718, 736 (8th Cir. 1967), cert. denied, 390 U.S. 951

Court of Appeals has stated:

"The securities laws impose upon an offeror of an exchange offer a duty to act reasonably in discovering facts material to the offer as of the time of the transaction and in disclosing fully those material facts of which the offeree is presumably unaware and which ostensibly would influence his judgment. [Citation omitted.] Corporate officers have a reasonable area of discretion in determining how far to explore the facts and in deciding what facts need to be disclosed." (24)

Armour shareholders presumably were aware of their company's staggered board and cumulative voting, and the prospectus sufficiently disclosed this information in light of the circumstances existing at the time of the offer. (25)

footnote 23 cont'd

(1968); Kohler v. Kohler Co., 319 F.2d 634, 641-42 (7th Cir. 1963); Gulf & Western Indus., Inc., v. Great Atl. & Pac. Tea Co., 356 F. Supp. 1066, 1071-72 (S.D.N.Y.), aff'd, 476 F.2d 687 (2d Cir. 1973).

(24) Chris-Craft Indus., Inc. v. Piper Aircraft Corp., 480 F.2d 341, 369 (2d Cir.), cert. denied, 414 U.S. 910 (1973) (emphasis supplied).

(25) Cf. Gulf & Western Indus., Inc. v. Great Atl. & Pac. Tea Co., 356 F. Supp. 1066, 1071 (S.D.N.Y.), aff'd, 476 F.2d 687 (1973).

Entirely apart from the prospectus, however, JA 731

Armour shareholders were otherwise advised of the characteristics of their Board of Directors. On January 9, 1969, Armour shareholders were sent the previously indicated letter which criticized the General Host offer even before it had been made. This letter reminded the shareholders that Armour's board was "classified and elected for three-year terms." On January 17, 1969, Armour shareholders again had this information called to their attention when Armour management sent shareholders a proxy statement advising them that six of Armour's seventeen directors would be elected for three-year terms at the February 21, 1969 annual shareholders' meeting and that cumulative voting would be used. On February 10, 1969, Armour shareholders received another direct mailing, a supplemental proxy statement reiterating that six three-year directorships on the seventeen-man board of directors were up for election. The supplemental proxy stated that while General Host intends to propose candidates for election as directors, Armour management continues to solicit proxies for the six incumbent directors and "intends to vote its proxies so as

to elect as many of such nominees as possible under cumulative voting." Far from being misled, Armour shareholders were thus inundated with information concerning their own corporation's staggered board and its cumulative voting provision. The bombardment of the Armour shareholders by communications and publications hardly suggests that they were misled into believing that General Host would achieve immediate control of Armour's Board of Directors if it obtained more than 50% of Armour shares. To the contrary, it was manifest that even if General Host acquired a majority of the stock, the battle for operating control would continue for a period.

Plaintiff also asserts that the prospectus in the two paragraphs quoted above (beginning with "General Host intends to act promptly . . .") failed to emphasize the staggered board as an obstacle to General Host's acquiring immediate operating control of Armour, and thereby misled the Armour shareholder into believing that the various possible alternative courses discussed in the second paragraph would be unqualifiedly

available to General Host merely upon completion of the exchange offer, when General Host would have acquired more than 50% of Armour's common stock. In this connection he stresses (1) statements made by General Host's president, Harris J. Ashton, in an affidavit of January 23, 1969, filed in opposition to the government's motion in the Illinois action for a temporary restraining order and injunction against General Host's proposed exchange offer, and (2) statements from General Host's "Confidential Report on Armour and Company," referred to as the "Black Book," prepared in October 1968.

This argument overemphasizes essentially one paragraph from the entire prospectus and ignores the paragraph immediately preceding it, other statements in the prospectus, direct communications by Armour management to its shareholders, "all the circumstances" surrounding the exchange offer, and the conduct of those parties who opposed General Host's offer and had the greatest interest in exposing any misstatements in the prospectus and emphasizing the weaknesses of the offer.

The prospectus does not state that General

JA 734

Host will have operating control of Armour upon consummation of the exchange offer. Rather, after relating in some detail Armour management's opposition to the offer, it states that "General Host intends to act promptly both before and after consummation of the Exchange Offer to obtain control of the board of directors and management of Armour," and that in this regard "it may engage in the solicitation of proxies for the election of directors of Armour and other matters, both at the February 21, 1969 annual meeting of Armour and Company and otherwise" (emphasis supplied). Plaintiff interprets this language as an implicit representation that General Host will obtain immediate effective control of Armour through the solicitation of proxies for the election of directors of Armour at the February 21, 1969 annual meeting. The prospectus, however, makes it clear that General Host's attempts to gain operating control will require more than the solicitation of proxies at the next annual meeting, as Armour shareholders were well aware from the contemporaneous Armour proxy solicitations already described.

Despite plaintiff's selective editing of various sentences in the Ashton affidavit, its tone and emphasis is consistent with the prospectus language, and this is unquestionably so when viewed in its proper context. The affidavit was submitted in opposition to a motion for preliminary injunctive relief. A fair reading of the entire affidavit reveals that General Host's argument to the District Court in Illinois was that the government's request for preliminary relief "should be denied at this time as premature" because General Host's exchange offer to acquire a majority of Armour's stock may be unsuccessful; even if successful, it will not in and of itself give General Host operating control of Armour; and it will not effect a merger of the two companies, but rather will leave them separately engaged in their separate businesses. It emphasizes that "until the result of the exchange offer is known" there would appear to be no question for the Court to decide, and concludes by arguing that because various overt steps would have to occur before the assets of the two companies would be combined, "no prejudice to the Government's position will occur by reason of General Host's

exchange offer." The affidavit does not support plaintiff's theory that General Host believed control was necessarily a long way off, but is instead directed to General Host's claim that no irreparable injury to the government will result from the exchange offer itself and therefore preliminary injunctive relief was not warranted -- in sum, that even if the exchange offer were successful, and thereupon General Host moved forward to obtain operating control, ample time still remained for the government, based on the changed situation, to reapply for injunctive relief.

JA 736

Similarly, the General Host study of Armour, far from indicating that General Host was secretly preoccupied with grave concern over the legal obstacles of a staggered board, gives the staggered board situation no greater emphasis than the prospectus itself, and undisputedly no greater emphasis than Armour management did in its determined efforts to defeat the exchange offer.

Putting this paragraph to one side, plaintiff focuses primarily on the next one, arguing that it materially misleads Armour shareholders because some of the actions General Host "may find it desirable" to take require operating control of Armour's board, such as selling certain of Armour's assets or increasing

Armour's dividend. These actions would have required **JA 737**

the cooperation of Armour's board, and General Host understood this when the prospectus was issued. Other actions mentioned in the paragraph did not, such as selling certain of General Host's assets, incurring new indebtedness or issuing additional equity securities.

Plaintiff's argument has force only if the preceding cautionary paragraph and the surrounding circumstances of the offer are ignored.

General Host not unreasonably expected that upon its acquisition of more than 50% of Armour's stock, the Armour directors would recognize that eventual control by General Host was inevitable and would cooperate with it. Certainly this expectation was justified from the standpoint of a director's duty to serve the interests of its stockholders, with General Host being the majority stockholder, and from the view of the Armour directors who were also officers of the company and whose positions were dependent upon good relations with the board of directors, control of which at some point would pass to General Host. Indeed, as this Court observed during the trial, it is a fact of corporate life

that when the smoke of battle for control clears, the losing management perforce recognizes its basic responsibility and fiduciary duty to shareholders. JA 738

Other possible ways of obtaining operating control were likely. With General Host owning more than 50% of Armour's common stock, some Armour directors might resign; Greyhound, realizing it was holding a minority block of stock in a company General Host would eventually control, might agree to sell its shares to General Host; or General Host, acting on the opinion of Delaware counsel, as a majority shareholder could move to amend Armour's by-laws to increase the number of directors and thereby gain a majority of the board. These were not illusory, but feasible, practical methods whereby effective working control of Armour might have been achieved.

Plaintiff responds that if this were General Host's contemplated plan, it was required to disclose its predictions and hopes as to the attitude of Armour's directors should the offer be successful. Perhaps General Host could safely have said more about its expecta-

tions, but given Armour management's hostility during the struggle for control, and the fact that General Host's expectations were based not so much on specific facts as on a realistic business judgment as to what might happen after a successful exchange offer, such predictions by General Host could themselves have been misleading. It would have been as wrong to overstate the definiteness or likelihood of what might happen as (26) to understate it. Unless tender offers are to become something akin to walking across a minefield in which the slightest misstep means substantial liability for the offeror, it cannot be said that General Host exceeded "a reasonable area of discretion . . . (27) in deciding what facts need to be disclosed."

Armour shareholders were aware that the exchange offer, in and of itself, would not give General

(26) Electronic Specialty Co. v. International Controls Corp., 409 F.2d 937, 948 (2d Cir. 1969).

(27) Chris-Craft Indus., Inc. v. Piper Aircraft Corp., 480 F.2d 341, 369 (2d Cir.), cert. denied, 414 U.S. 910 (1973).

Host complete control over Armour's assets and cash flow. As indicated above, shareholder mailings of January 9 and February 10 emphasized that unless General Host obtained 100% of the Armour shares, it could not use Armour's assets and cash flow to service General Host's indebtedness.

In determining whether Armour security holders were materially misled by the prospectus, account may be taken of the relatively lesser importance of what General Host might find it desirable to do if the exchange offer were successful as opposed to the central issue of General Host's ability to service the debt on the debentures it was offering to Armour shareholders. Materiality, as already noted, is not an abstract concept to be decided in a vacuum. It must be determined upon a realistic appraisal of the facts and events related to the transaction at issue. Realistically, "the only truly objective evidence of the materiality" of the alleged omissions (28) in the prospectus

(28) SEC v. Texas Gulf Sulphur Co., 401 F.2d 833, 851 (2d Cir. 1968) (en banc), cert. denied, 394 U.S. 976 (1969).

under all the circumstances then existing is the importance then given them by those with the greatest interest in defeating the offer -- the incumbent Armour management. (29) This is particularly so here since at that time Armour's highly experienced counsel scrutinized the General Host registration statement with microscopic care and dredged up every conceivable deficiency of the proposal. (30) The arguments made by Armour's counsel to the SEC and to this Court attacking the adequacy of disclosure in the prospectus, Armour management's letters to Armour shareholders, its advertisements in the newspapers, its statements to the press, and various newspaper articles at the time of the offer establish far

JA 741

(29) Cf. Sonesta Int'l Hotels Corp. v. Wellington Assoc., 483 F.2d 247, 255 (2d Cir. 1973); General Time Corp. v. Talley Indus., Inc., 403 F.2d 159, 162-63 (2d Cir. 1968), cert. denied, 393 U.S. 1026 (1969); SEC v. Texas Gulf Sulphur Co., 401 F.2d 833, 851 (2d Cir. 1968) (en banc), cert. denied, 394 U.S. 976 (1969).

(30) See Armour & Co. v. General Host Corp., 296 F. Supp. 470, 474 (S.D.N.Y. 1969).

more convincingly than plaintiff's arguments six years after the event that General Host's future plans for Armour after a successful tender offer was not the overriding factor in an Armour shareholder's decision whether to accept the General Host offer. Plaintiff's present claim that the obstacles of the staggered board and cumulative voting should have been highlighted stands in marked contrast to the relatively insignificant importance given this issue during the actual battle for control of Armour.

- (31) For example, when Armour's counsel sent a memorandum to the SEC in January 1969 arguing that a preliminary prospectus was misleading, it summarized its contentions as follows:

"In a transaction as complex as this, we would think the prospectus should have at the very beginning an introduction contained the salient features and highly speculative aspects of the offering. These are the anti-trust problems and the magnitude and effect of possible divestitures by General Host including the resulting lack of significance of pro forma combined figures; the relative sizes of the two companies; the inordinately large amount of debt which General Host will incur and how it will be serviced; the fact that, at least until the corporations are merged, the indebtedness of General Host will be junior to that of Armour including its subordinated debentures and preferred stock. Obviously these factors make acceptance of the exchange offer a very risky business."

Armour's staggered board was given but a fleeting reference.

Finally, plaintiff argues that the pro forma combined financial statements of Armour's and General Host's operations were materially misleading because the prospectus failed to disclose what plaintiff contends was the "assumption" upon which they were based, that General Host would obtain immediate effective control of Armour. However, the pro formas were included in the prospectus not because General Host made a number of undisclosed assumptions or because it thought that these statements would somehow improve the apparent value of its offer to Armour shareholders, but simply because their inclusion was required by the SEC.

Plaintiff contends, however, that there is something inherently suggestive about pro forma consolidated statements and argues that they should have been preceded by cautionary wording, such as: "General Host may not be able to obtain operating control of Armour unless it can elect a majority of the board of directors (32) of Armour." Yet there is little difference between

(32) Plaintiff's Post-Trial Brief at 23.

this language and the language General Host did use: **JA 744**

"General Host intends to act promptly both before and after the consummation of the Exchange Offer to obtain control of the board of directors and management of Armour." Moreover, the language of the prospectus introducing these pro formas clearly indicates that the statements were the result of combining the two companies' operations, and does not lend itself to plaintiff's interpretation that the statements created the "impression" that upon consummation of the exchange offer, General Host would have Armour's assets and cash flow available to it. (33) Plaintiff does not dispute the fact that the pro formas were required to be in the prospectus, nor does he allege that they were inaccurate in any respect. Given the cautionary language that the exchange offer in and of itself would not deliver operating control of Armour to General Host and the absence of any affirmative misrepresentation to this effect, defendants cannot be held liable because

(33) Again, the two Armour management shareholder mailings specifically negated any "impression" plaintiff received from viewing these pro formas.

of plaintiff's "impressions" which are not fairly supported by the language of the prospectus.

Plaintiff's various arguments concerning General Host's alleged omissions in not giving greater emphasis to the characteristics of the Armour board and to the fact that the ownership of more than 50% of Armour's stock would not per se give it operating control are all based on the notion that General Host was in some way subtly trying to create impressions in the minds of the Armour stockholders contrary to publicly known facts about their company. This is not the type of claim common to tender offer actions, where it is usually alleged that the offeror failed to disclose material facts about itself with which the offerees could not be expected to be familiar. General Host was required by SEC regulations to "describe any plans or proposals" which it may have, inter alia, to sell the assets

(34) See, e.g., Chris-Craft Indus., Inc. v. Piper Aircraft Corp., 480 F.2d 341, 367 (2d Cir.) cert. denied, 414 U.S. 910 (1973); Sonesta Int'l Hotels Corp. v. Wellington Assoc., 483 F.2d 247, 249-50 (2d Cir. 1973).

of Armour, merge it with General Host, or make any other
 (35)
 major changes in its business. As another court so
 aptly pointed out in the context of proxy disclosure,
 "[d]ifficult decisions must be made as to what informa-
 tion to place toward the beginning and what to place
 further toward the end [of the document], what to empha-
 size and what to state more blandly. It is, of course,
 impossible to emphasize everything, and every fact can
 not be contained in the beginning." Exchange offerors
 must be fair to the needs of shareholders for relevant
 information, but courts cannot require that they be
 (36)
 "clairvoyant".

Plaintiff by his various suggestions of pre-
 cise language would reword the prospectus so as to have

(35) SEC Rule 14d-1(c)(4) and Schedule 13D, 17
 C.F.R. §§ 240.14d-1(c)(4), 240.13d-101
 (Item 4). "It would be as serious an in-
 fringement of these regulations to over-
 state the definiteness of the plans as to
 understate them." *Electronic Specialty
 Co. v. International Controls Corp.*, 409
 F.2d 937, 948 (2d Cir. 1969).

(36) *Smallwood v. Pearl Brewing Co.*, 489 F.2d
 579, 602 (5th Cir.), cert. denied, 419
 U.S. 873 (1974).

exposed, as he now envisions them, the alleged deficiencies of the tender offer, most of which were highlighted and repeatedly brought to the notice of Armour shareholders during the course of the bitter struggle for control by Armour itself, the target company -- in effect, his suggestions of rewording would have required General Host to denigrate its very offer to shareholders.

"Courts should tread lightly in imposing a duty of self-flagellation on offerors with respect to matters that are known as well, or almost as well, to the target company." (37) While courts must rigidly enforce the requirement that investors be fully and completely informed as to material matters, there is no requirement that information already adequately disclosed be spoonfed to them.

Under all the circumstances then existing, including the acknowledged hostility of Armour management, its mailings to shareholders and its contemporaneous solicitation of proxies for Armour's upcoming shareholder meeting, the prospectus was not materially misleading on the prospect of General Host's eventually acquiring control of Armour after the exchange offer.

(37) Missouri Portland Cement Co. v. Cargill, Inc., 498 F.2d 851, 873 (2d Cir.), cert. denied, 419 U.S. 983 (1974)

CONCLUSION

In rejecting plaintiff's claims, however variously stated, concerning the adequacy of disclosure on the issues of cash flow and the prospects for control, the Court is required to preserve a delicate balance between the needs of Armour security holders for fair and adequate disclosure of material facts necessary for an informed investment decision and the need for a reasonable amount of discretion that offerors must have if the making of exchange offers is not to degenerate into a game of "Russian roulette". It is well to keep in mind Judge Friendly's characteristically cogent observation:

"Probably there will no more be a perfect tender offer than a perfect trial. Congress intended to assure basic honesty and fair dealing, not to impose an unrealistic requirement of laboratory conditions that might make [the Williams Act] a potent tool for incumbent management to protect its own interests against the desires and welfare of the stockholders. These considerations bear on the kind of judgment to be applied . . . on the issue of materiality." (38)

(38) Electronic Specialty Co. v. International Controls Corp., 409 F.2d 937, 948 (2d Cir. 1969).

The General Host prospectus may not have been perfect; no doubt it could have been improved, but it was not materially misleading. It did not misrepresent or state in a misleading fashion, nor did it omit to disclose, any fact which might or would have been important to the decision of a reasonable investor with regard to the exchange offer.

The foregoing, together with the facts stipulated by the parties, shall constitute the Court's Findings of Fact and Conclusions of Law.

Judgment may be entered for the defendants.

Dated: New York, N. Y.
August 14, 1975

EDWARD WEINFELD
United States District Judge

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

21609/435
5/27/15
JA 750

-----X
ALAN L. SPIELMAN, :

Plaintiff, :

-against- :

73 Civ 573/E.W.

GENERAL HOST CORPORATION, RICHARD :

C. PISTELL, HARRIS J. ASHTON, :

C. WHITCOMB ALDEN, JR., JOSEPH :

P. BINNS, WILLIAM F. DOWNEY, :

WESTON E. HAMILTON, WILLIAM P. :

HOWE, JR., J. ELROY McCRAW, EDWIN :

C. McDONALD, LESLIE W. SCOTT, :

ALLEN & COMPANY, INC., ALLEN & :

COMPANY, KLEINER, BELL & CO., :

INC., SEYMOUR M. LAZAR, EUGENE V. :

KLEIN, ALLEN MANUS, CECIL MANUS :

and GREAT AMERICAN INSURANCE :

COMPANY, :

Defendants. :

FINAL JUDGMENT



-----X
1
This action having been confirmed as a class action brought pursuant to Rule 23(b) of the Federal Rules of Civil Procedure by Order dated April 2, 1974, as amended, which Order was filed upon a stipulation of the parties dated March 26, 1974, and thereafter notice of pendency of this action having been given by plaintiff to members of the class described in said Order as required by Rule 23(c) of the Federal Rules of Civil Procedure on or about June 4, 1974,

And this action having thereafter come on for trial as a class action in which plaintiff sued as representative of a class of plaintiffs consisting of:

MICROFILM

AUG 27 1975

(A) Those persons or entities who were record or beneficial owners of Armour and Company securities, either common stock or convertible debentures, prior to July 29, 1968 and exchanged them for General Host Corporation debentures and warrants pursuant to an Exchange Offer made in a prospectus issued by General Host Corporation under date of January 20, 1969 and which expired February 14, 1969, and who did not accept a cash tender offer of The Greyhound Corporation made January 27, 1969 and which expired February 13, 1969;

(B) Those persons or entities who purchased or otherwise acquired Armour and Company securities, either common stock or convertible debentures, between July 29, 1968 and February 14, 1969, did not accept The Greyhound Corporation tender offer, and exchanged said Armour and Company securities for General Host Corporation debentures and warrants issued pursuant to the said Exchange Offer;

(C) Those persons or entities who purchased or otherwise acquired Armour and Company securities between July 29, 1968 and February 14, 1969 and held them without tendering them to either General Host Corporation or The Greyhound Corporation on or before February 14, 1969; who sustained

damages when they later sold or disposed of their securities at lower prices or continued to hold them at lower values.

And the class of plaintiffs consisting of all those persons hereinabove-described other than 441 persons who timely requested to be excluded from the class,

And this action having been tried against the defendants General Host Corporation, Harris J. Ashton, Weston E. Hamilton, C. Whitcomb Alden, Jr., Joseph P. Binns, Leslie W. Scott, Richard C. Pistell, Allen & Company and Allen & Company, Incorporated,

And the parties being in agreement that there are now no other defendants remaining in this action and that there were no other defendants at the time of trial,

And the trial having been held on April 14, 15, 16 and 17, 1975, before the Court, Honorable Edward Weinfeld, District Judge, presiding, and the issues having been duly tried, and the parties having stipulated to certain facts in the Pretrial Order dated April 9, 1975, and upon consideration thereof, the Court having rendered and filed its opinion dated August 14, 1975, which opinion, together with the stipulated facts referred to above, constitutes the Court's findings of fact and conclusions of law, pursuant to Rule 52 of the Federal Rules of Civil Procedure,

IT IS ORDERED AND ADJUDGED that for all future proceedings in this action, on appeal or otherwise, the caption shall be amended to omit the names of all persons named as defendants in the amended complaint except those defendants named above against whom this action was tried,

AND IT IS FURTHER ORDERED AND ADJUDGED that the plaintiff and each member of the class as herein defined take

nothing, that the action be dismissed on the merits as to all defendants and that the defendants recover of the plaintiff their costs of action.

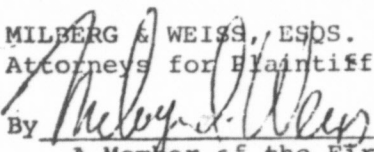
Dated: New York, New York
August 11, 1975

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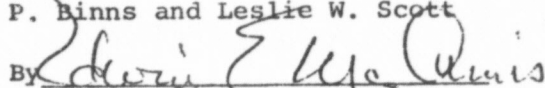

United States District Judge

CONSENTED TO AS TO FORM:

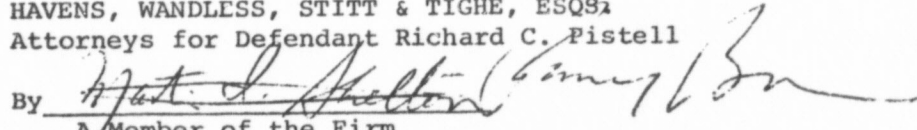
MILBERG & WEISS, ESQS.
Attorneys for Plaintiff

By 
A Member of the Firm

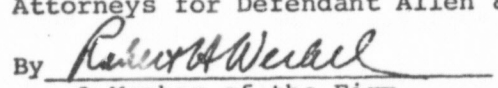
LOVEJOY, WASSON, LUNDGREN & ASHTON, ESQS.
Attorneys for Defendants General Host
Corporation, Harris J. Ashton, Weston E.
Hamilton, C. Whitcomb Alden, Jr., Joseph
P. Binns and Leslie W. Scott

By 
A Member of the Firm

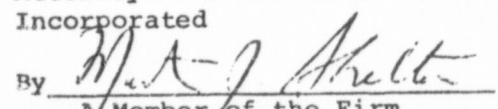
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Attorneys for Defendant Richard C. Pistell

By 
A Member of the Firm

HOLTZMANN, WISE, SHEPARD, ESQS.
Attorneys for Defendant Allen & Company

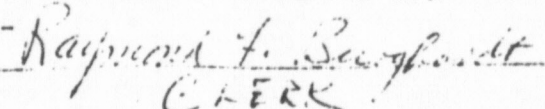
By 
A Member of the Firm

SHEA, GOULD, CLIMENKO, KRAMER & CASEY, ESQS.
Attorneys for Defendant Allen & Company,
Incorporated

By 
A Member of the Firm

JUDGMENT ENTERED - 5/21/75

-4-


CLERK

*Original filed
9/23/75*

JA 754

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----- x

ALAN L. SPIELMAN,	:	Index No.73 Civ.573(EW)
Plaintiff,	:	
	:	
-against-	:	<u>NOTICE OF APPEAL</u>
	:	
GENERAL HOST CORPORATION, RICHARD	:	
C. PISTELL, HARRIS J. ASHTON,	:	
C. WHITCOMB ALDEN, JR., JOSEPH P.	:	
BINNS, WESTON E. HAMILTON, LESLIE	:	
W. SCOTT, ALLEN & COMPANY, INCOR-	:	
PORATED, AND ALLEN & COMPANY,	:	
Defendants.	:	

----- x

NOTICE IS HEREBY GIVEN that Alan L. Spielman, plaintiff above-named, hereby appeals individually, and on behalf of the class certified by the United States District Court for the Southern District of New York, to the United States Court of Appeals for the Second Circuit from those parts of the final judgment dated August 26, 1975 and entered August 27, 1975, which determined that the plaintiff, Alan L. Spielman, and each member of the class designated by the United States District Court for the Southern District of New York, take nothing, that the action be dismissed on the merits as to the defendants, General Host Corporation, Harris J. Ashton, Weston E. Hamilton, C. Whitcomb Alden, Jr., Joseph P. Binns, Leslie W. Scott, Richard C. Pistell, Allen & Company and Allen & Company, Incorporated and that the said defendants recover of the plaintiff their costs.

JA 755

Attached hereto as Exhibit "A" are the names and addresses of the attorneys of record for each party.

Dated: New York, New York
September 23, 1975

MILBERG & WEISS

By 

A Member of the Firm
Attorneys for Plaintiff
One Pennsylvania Plaza
New York, New York 10001

MILBERG & WEISS, ESQS.
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Alan L. Spielman
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New York, New York 10001

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JA 756 *av*

PLAINTIFF'S EXHIBIT NO. 1:

ACCOUNTING RESEARCH BULLETIN NO. 51

Accounting Research Bulletin No. 51

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST, 1959

PURPOSE OF CONSOLIDATED STATEMENTS

1. The purpose of consolidated statements is to present, primarily for the benefit of the shareholders and creditors of the parent company, the results of operations and the financial position of a parent company and its subsidiaries essentially as if the group were a single company with one or more

branches or divisions. There is a presumption that consolidated statements are more meaningful than separate statements and that they are usually necessary for a fair presentation when one of the companies in the group directly or indirectly has a controlling financial interest in the other companies.

CONSOLIDATION POLICY

2. The usual condition for a controlling financial interest is ownership of a majority of the interest, and, therefore, as a general rule, ownership by one company, directly or indirectly, of over fifty per cent of the outstanding voting shares of another company is a condition pointing toward consolidation. However, there are exceptions to this general rule. For example, a subsidiary should not be consolidated where control is likely to be temporary, or where it does not rest with the majority owners (as, for instance, where the subsidiary is in legal reorganization or in bankruptcy). There may also be instances where the minority interest in the subsidiary is so large, in relation to the assets of the shareholders of the parent in the consolidated net assets, that the presentation of separate financial statements for the subsidiary would be more meaningful than consolidation. However, the fact that the subsidiary has a relatively large indebtedness to its shareholders or others is not in itself a valid reason for exclusion of the subsidiary from consolidation. (Also, see Chapter 12 of Accounting Research Bulletin No. 43 for the treatment of foreign subsidiaries.)

3. In deciding upon consolidation policy, the aim should be to make the financial presentation which is most meaningful in the circumstances. The reader should be given information which is suitable to his needs, but he should not be burdened with unnecessary detail. Thus, even though a group of companies is heterogeneous in character, it may be better to make a full consolidation than to present a large number of

separate statements. On the other hand, separate statements or combined statements would be preferable for a subsidiary or group of subsidiaries if the presentation of financial information concerning the particular activities of such subsidiaries would be more informative to shareholders and creditors of the parent company than would the inclusion of such subsidiaries in the consolidation. For example, separate statements may be required for a subsidiary which is a bank or an insurance company and may be preferable for a finance company where the parent and the other subsidiaries are engaged in manufacturing operations.

4. A difference in fiscal periods of a parent and a subsidiary does not of itself justify the exclusion of the subsidiary from consolidation. It ordinarily is feasible for the subsidiary to prepare, for consolidation purposes, statements for a period which corresponds with or closely approaches the fiscal period of the parent. However, where the difference is not more than about three months, it usually is acceptable to use, for consolidation purposes, the subsidiary's statements for its fiscal period; when this is done, recognition should be given by disclosure or otherwise to the effect of intervening events which materially affect the financial position or results of operations.

5. Consolidated statements should disclose the consolidation policy which is being followed. In most cases this can be made apparent by the headings or other information in the statements, but in other cases a footnote is required.

CONSOLIDATION PROCEDURE GENERALLY

6. In the preparation of consolidated statements, intercompany balances and transactions should be eliminated. This includes intercompany open account balances, security

holdings, sales and purchases, interest, dividends, etc. As consolidated statements are based on the assumption that they represent the financial position and operating results

of a single business enterprise, such statements should not include gain or loss on transactions among the companies in the group. Accordingly, any intercompany profit or loss on assets remaining within the group should be eliminated; the concept usually applied for this purpose is gross profit or loss. (See also paragraph 17.) However, in a regulated industry where a parent or subsidiary manufactures or constructs facilities for other companies in the consolidated group, the foregoing is not intended to require the elimination of intercompany profit to the extent that such profit is substantially equivalent to a reasonable return on investment ordinarily capitalized in accordance with the established practice of the industry.

ELIMINATION OF INTERCOMPANY INVESTMENTS

7. Where the cost to the parent of the investment in a purchased subsidiary exceeds the parent's equity in the subsidiary's net assets at the date of acquisition, the excess by the books of the subsidiary, the excess should be dealt with in the consolidated balance sheet according to its nature. In determining the difference, provision should be made for specific costs or losses which are expected to be incurred in the integration of the operations of the subsidiary with those of the parent or otherwise as a result of the acquisition, if the amount thereof can be reasonably determined. To the extent that the difference is considered to be attributable to tangible assets and specific intangible assets, such as patents, it should be allocated to them. Any difference which cannot be so applied should be shown among the assets in the consolidated balance sheet under one or more appropriately descriptive captions. When the difference is allocated to depreciable or amortizable assets, depreciation and amortization policies should be such as to absorb the excess over the remaining life of related assets. For subsequent treatment of intangibles, see Chapter 5 of Accounting Research Bulletin No. 43.

8. In general, parallel procedures should be followed in the reverse type of case. Where the cost to the parent is less than its equity in the net assets of the purchased subsidiary, as shown by the books of the subsidiary at the date of acquisition, the amount at which such net assets are carried in the consolidated statements should not exceed the parent's cost. Accordingly, to the extent that the difference, determined as indicated in paragraph 7, is considered to be attributable to specific assets, it should be allocated to them, with corresponding adjustments of the depreciation or amortization. In unusual circumstances there may be a remaining difference which it would be acceptable to show in a credit account, which ordinarily would be taken into income in future periods or a treatment between a purchase and a pooling

9. The earned surplus or deficit of a purchased subsidiary at the date of acquisition by the parent should not be included in consolidated earned surplus.

10. When one company purchases two or more blocks of stock of another company at various dates and eventually obtains control of the other company, the date of acquisition (for the purpose of preparing consolidated statements) depends on the circumstances. If two or more purchases are made over a period of time, the earned surplus of the subsidiary at acquisition should generally be determined on a step-by-step basis; however, if small purchases are made over a period of time and then a purchase is made which results in control, the date of the latest purchase, as a matter of convenience, may be considered as the date of acquisition. Thus there would generally be included in consolidated income for the year in which control is obtained the postacquisition income for that year, and in consolidated earned surplus the postacquisition income of prior years, attributable to each block previously acquired. For example, if a 45% interest was acquired on October 1, 1957, and a further 30% interest was acquired on April 1, 1958, it would be appropriate to include in consolidated income for the year ended December 31, 1958, 45% of the earnings of the subsidiary for the three months ended March 31, and 75% of the earnings for the nine months ended December 31, and to credit consolidated earned surplus in 1958 with 45% of the undistributed earnings of the subsidiary for the three months ended December 31, 1957.

11. When a subsidiary is purchased during the year, there are alternative ways of

dealing with the results of its operations in the consolidated income statement. One method, which usually is preferable, especially where there are several dates of acquisition of blocks of shares, is to include the subsidiary in the consolidation as though it had been acquired at the beginning of the year, and to deduct at the bottom of the consolidated income statement the postacquisition earnings applicable to each block of stock. This method presents results which are more indicative of the current status of the group, and facilitates future comparison with subsequent years. Another method of prorating income is to include in the consolidated

MINORITY INTERESTS

14. The amount of intercompany profit or loss to be eliminated in accordance with paragraph 6 is not affected by the existence of a minority interest. The complete elimination of the intercompany profit or loss is consistent with the underlying assumption that consolidated statements represent the financial position and operating results of a single business enterprise. The elimination of the intercompany profit or loss may be allocated proportionately between the majority and minority interests.

INCOME TAXES

16. When separate income tax returns are filed, income taxes usually are incurred when earnings of subsidiaries are transferred to the parent. Where it is reasonable to assume that a part or all of the undistributed earnings of a subsidiary will be transferred to the parent in a taxable distribution, provision for related income taxes should be made on an estimated basis at the time the earnings are included in consolidated income, unless these taxes are immaterial in amount when effect is given, for example, to dividend received deductions or foreign-tax credits.

STOCK DIVIDENDS

18. Occasionally, subsidiary companies capitalize earned surplus arising since acquisition, by means of a stock dividend or otherwise. This does not require a transfer to capital surplus on consolidation, inasmuch as the

statement only the subsidiary's revenue and expenses subsequent to the date of acquisition.

12. Where the investment in a subsidiary is disposed of during the year, it may be preferable to omit the details of operations of the subsidiary from the consolidated income statement, and to show the equity of the parent in the earnings of the subsidiary prior to disposal as a separate item in the statement.

13. Shares of the parent held by a subsidiary should not be treated as outstanding stock in the consolidated balance sheet.

MINORITY INTERESTS

15. In the unusual case in which losses applicable to the minority interest in a subsidiary exceed the minority interest in the equity capital of the subsidiary, such excess and any further losses applicable to the minority interest should be charged against the majority interest, as there is no obligation of the minority interest to make good such losses. However, if future earnings do materialize, the majority interest should be credited to the extent of such losses previously absorbed.

INCOME TAXES

There is no need to provide for income taxes to the parent company in cases where the income has been, or there is evidence that it will be, permanently invested by the subsidiaries, or where the only likely distribution would be in the form of a tax-free liquidation.

17. If income taxes have been paid on intercompany profits on assets remaining within the group, such taxes should be deferred or the intercompany profits to be eliminated in consolidation should be appropriately reduced.

OF SUBSIDIARIES

retained earnings in the consolidated financial statements should reflect the accumulated earnings of the consolidated group not distributed to the shareholders of, or capitalized by, the parent company.

UNCONSOLIDATED SUBSIDIARIES IN UNCONSOLIDATED STATEMENTS

19. There are two methods of dealing with unconsolidated subsidiaries in consolidated statements. Whichever method is adopted should be used for all unconsolidated subsidiaries, subject to appropriate modification in special circumstances. The preferable method of the committee is to

has accrued to the credit of the group. (Adjustments of the investment would also be made for "special" debits or credits shown on the income statements of the consolidated subsidiaries below the net income for the period, and for similar items shown in the schedule of earned surplus.) The other method, more commonly used at present, is to carry the investment at cost, and to take up income as dividends are received; however, provision should be made for any material impairment of the investment, such as through losses sustained by the subsidiaries, unless it is deemed to be temporary. When the latter method is followed, the consolidated statements should disclose, by footnote or otherwise, the cost of the investment in the unconsolidated subsidiaries, the equity of the consolidated group of companies in their net assets, the dividends received from them in the current period, and the equity of the consolidated group in their earnings for the period; this information may be given in total or by individual subsidiaries or groups of subsidiaries.

20. Whichever method of dealing with unconsolidated subsidiaries is followed, if there is a difference between the cost of the investment and the equity in net assets at the date of acquisition, appropriate recognition should be given to the possibility that the subsidiaries have been consolidated, part of such difference would have been reflected in adjusted depreciation or amortization. Also, appropriate recognition should be given to the necessity for an adjustment for inter-

company gains or losses on transactions with unconsolidated subsidiaries. If sales are made to unconsolidated subsidiaries and the investment in the subsidiaries is carried at cost plus the equity in undistributed earnings, an elimination of unrealized earnings, an elimination of unrealized inter-company gains and losses should be made to the same extent as if the subsidiaries were consolidated. The same applies where inter-company sales are made by the unconsolidated subsidiaries. If, however, the investment is carried at cost, it is not necessary to eliminate inter-company gain on sales to such subsidiaries, if the gain on the sales does not exceed the unrecorded equity in undistributed earnings of the unconsolidated subsidiaries.

If such gain is material, it should be appropriately disclosed. Where the sales are made by the unconsolidated subsidiaries to companies included in the consolidated group, the intercompany gains or losses should be eliminated in arriving at the amount of the equity in the undistributed earnings of the unconsolidated subsidiaries which will be disclosed in a footnote or otherwise. (See paragraph 19.)

21. Where the unconsolidated subsidiaries are, in the aggregate, material in relation to the consolidated financial position or operating results, summarized information as to their assets, liabilities and operating results should be given in the footnotes or separate statements should be presented for such subsidiaries, either individually or in groups, as appropriate.

COMBINED STATEMENTS

and the result of operations of a group of unconsolidated subsidiaries. They might also be used to combine the financial statements of companies under common management.

23. Where combined statements are prepared for a group of related companies, such as a group of unconsolidated subsidiaries or intercompany transactions and profits or losses should be eliminated, and if there are problems in connection with such matters as minority interests, foreign operations, different fiscal periods, or income taxes, they should be treated in the same manner as in consolidated statements.

PARENT-COMPANY STATEMENTS

Consolidating statements, in which one column is used for the parent company and other columns for particular subsidiaries or groups of subsidiaries, often are an effective means of presenting the pertinent information.

22. To justify the preparation of consolidated statements, the controlling financial interest should rest directly or indirectly in one of the companies included in the consolidation. There are circumstances, however, where combined financial statements (as distinguished from consolidated statements) of commonly controlled companies are likely to be more meaningful than their separate statements. For example, combined financial statements would be useful where one individual owns a controlling interest in several corporations which are related in their operations. Combined statements would also be used to present the financial position

The statement entitled "Consolidated Financial Statements" was unanimously adopted by the twenty-one members of the committee, of whom nine, Messrs. Bedford, Dunn, Gracie, Graham, Halvorson, Hoyler, Kent, Powell, and Wernitz, assented with qualification.

Mr. Bedford objects to the provision in paragraph 2 that ownership of over fifty per cent of the outstanding voting stock is the general rule governing consolidation policy. He believes the over fifty per cent ownership requirement is at best only one of several criteria evidencing the existence of a consolidated entity.

Messrs. Gracie and Hoyler do not agree with the statement made in the last sentence of paragraph 8. Mr. Gracie believes there are cases in which the crediting of a capital surplus account with the "excess credit" will result in a more appropriate presentation of consolidated operations and financial position, particularly in (but not limited to) situations where the acquisition of control of the subsidiary has been accomplished over an extended period of time or where there are acquisitions of minority interest at a date considerably after obtaining control. Mr. Hoyler is of the opinion that there have been, and probably will be, circumstances under which credits to capital surplus of the excesses referred to in this paragraph will be appropriate.

Messrs. Halvorson and Wernitz object to the relative emphasis given to the recommendations in paragraph 19, which they believe should be reversed. They believe that the date of the purchase which results in control should generally be considered to be the date of acquisition; however, if a limited number of purchases are made over a period of time pursuant to a plan or program which culminates in control, they agree that the earned surplus of the subsidiary at acquisition may be determined on a step-by-step basis.

Mr. Halvorson disagrees with the recommendations in paragraph 18. In his view, the usual subsidiary is a closely held corporation, and consequently is under no pressure to declare stock dividends and is under no compulsion to follow the "fair value" method of accounting for them if it does. If it does capitalize earned surplus by means of a stock dividend or otherwise, particularly "otherwise," he feels that it must have been done with a purpose relating to its financial position—the direction of, and with the

that the capitalization should carry through into the consolidated surplus accounts. If the subsidiary is one in which there is a publicly held minority interest, and a stock dividend is issued and accounted for on a fair-value basis in the manner of an independent publicly owned corporation, the accounting for earned surplus in respect of the majority interest would be the same as that for the minority interest, and again he believes that the capitalization should follow through into the consolidated surplus accounts. Mr. Powell also disagrees with the conclusion expressed in this paragraph. He believes that if a parent causes a subsidiary to freeze a part or all of its earned surplus through the payment of a stock dividend or otherwise, thus making such surplus unavailable for ordinary dividends, it should follow a similar procedure on consolidation.

Mr. Kent believes the consolidation policy section is deficient since it fails to restrict the increasing practice of not including certain subsidiaries in consolidated financial statements. He suggests that the bulletin may possibly result in further, increasing such practice as a consequence of the preference expressed in paragraph 19 for the inclusion of the equity in earnings of unconsolidated subsidiaries in consolidated statements. It is his belief that in the usual situation a full consolidation policy as implied in paragraph 1 is generally preferable, supplemented by such summarized financial information, in footnotes or otherwise, as may be appropriate.

Messrs. Dunn and Graham believe that the "practicable" method in paragraph 19 should be recognized as the only acceptable method of dealing with unconsolidated subsidiaries in consolidated statements, and that the method which carries the investment in unconsolidated subsidiaries at cost, and takes up as income only the dividends received, should be discontinued as rapidly as is practicable. They feel that the "practicable" method conforms to the purpose of consolidated statements as set forth in paragraph 1—to present the results of operations and the financial position essentially as if the group were a single company, and that its uniform adoption would increase the comparability of the financial statements of different companies, and would avoid the possibility of manipulation of reported consolidated earnings through the control of dividends received by the parent.

Mr. Dunn believes that paragraph 20 should require the elimination of intercompany gain and losses to the extent of such gain and

failure to do so would have a material effect on the reported consolidated income, regardless of whether the gain on intercompany subsidiaries.

NOTES

(See Introduction to Accounting Research Bulletin No. 43.)

1. Accounting Research Bulletins represent the considered opinion of at least two-thirds of the members of the committee on accounting procedure, reached on a formal vote after examination of the subject matter by the committee, the technical services department, and the director of research. Except in cases in which formal adoption by the Institute membership has been asked and secured, the authority of the bulletins rests upon the general acceptability of opinions so reached.
2. Opinions of the committee are not intended to be retroactive unless they contain a statement of such intention. They should not be considered applicable to the accounting for transactions arising prior to the publication of the opinions. However, the com-

mittee does not wish to discourage the revision of past accounts in an individual case if the accountant thinks it desirable in the circumstances. Opinions of the committee should be considered as applicable only to items which are material and significant in the relative circumstances.

3. It is recognized also that any general rules may be subject to exception; it is felt, however, that the burden of justifying departure from accepted procedures must be assumed by those who adopt other treatment. Except where there is a specific statement of a different intent by the committee, its opinions and recommendations are directed primarily to business enterprises organized for profit.

Committee on Accounting Procedure (1958-59)

WILLIAM W. WIENKE, Chairman
NORTON M. BENFORD
GARRETT T. BURNS
KEITH W. DUNN
CARL M. EISENHOFF
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EDWARD B. WILCOX
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Director of Research

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PLAINTIFF'S EXHIBIT NO. 4:

PATTERSON MEMO TO ALLEN, DATED AUGUST 6, 1968

Herbert Allen, Jr.

Ned Patterson

August 6, 1968

CONFIDENTIAL

These are my thoughts for your eyes only with respect to the situation on which you are currently working.

PREFACE

If I personally have learned any lesson from Gene Klein's efforts and from Tom Evan's efforts it is that the whole approach has been wrong in the sense that they have not "lined their ducks up" first. Specifically, Henry Harris, of Harris Upham, has got to be one of the key people in the Great American situation. When I praise Klein to the sky saying that he was forthright enough to advise the Great American president he had taken the position in the stock before it was publicly announced, Harris' rejoinder was "that is true but he didn't say why". Evans is in a class by himself because he aggravates people before he starts.

LESSON #1

When Dick approaches Prince he ought to go all out and tell him everything including his hopes and plans for the future.

LESSON #2

A lot of preliminary research should be done with respect to finding out as much as one can about Prince as a person. I know you have done this a little bit already but you also should find out who his close bank connections are, who his close social connections are, what interests he has, etc., etc.

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I told you I could be helpful to a certain extent with regard to this. Don't forget Prince is the Chicago Establishment and if you send a guy like Dick in with the right ammunition he could charm the birds off the trees but if he goes in without a proper understanding of Prince's interests and feelings the whole thing becomes a technical kind of fight which is going to be the case with Gene Klein.

CONCLUSION #1

Unless you have to move very, very quickly let's plan to find out who the attorneys are, who in the local financial community is Prince's friend, what commercial bank he uses, who are his personal friends.

CONCLUSION #2

Armed with the above I would approach Prince, give him the whole story accenting the fact that anything is better than Bluecorn and that he is vulnerable anyway, that his key people or anybody he chooses will receive employment contracts and point out how the combination of the two companies will make for a successful marriage.

CONCLUSION #3

As soon as I talked with Prince I would then, without delay, go after all of the people closest to Prince in the categories above mentioned. I would clue them in as to everything about myself other than giving away any confidences but I would prepare them that I may be calling on them for helpful references. In some cases, though you might not like to do it, you could use leverage especially where it might be a commercial bank with whom we do business or a local broker with whom we do business.

AFTERTHOUGHT

You say you don't want to give up any part of this business to anybody else and that you are big enough to do it on your own. I can understand your feeling but just simply say, as added insurance, you can always take in a junior partner if you think that is essential to getting the job done. It seems to me that pride isn't always something we can justly attribute

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to people like Klein and Evans. Sometimes we might show a little too much of it ourselves.

EP:pc

E.P.

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PLAINTIFF'S EXHIBIT NO. 21(A):

AFFIDAVIT OF HARRIS J. ASHTON, DATED JANUARY
27, 1969 (pp. 60-61 of Appendix in U.S. v.
SWIFT & COMPANY)

PIH AS E M 21 (A)

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

[Caption Omitted in Printing]

AFFIDAVIT OF HARRIS J. ASHTON IN OPPOSITION TO
GOVERNMENT'S PETITION FOR AN INJUNCTION

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

HARRIS J. ASHTON, being duly sworn, deposes and says:

1. I am President of General Host Corporation (hereinafter referred to as "General Host"), 245 Park Avenue, New York City, the subject of the pending petition herein.

2. I make this affidavit in opposition to the motions by the Government for a temporary restraining order and an injunction enjoining General Host from commencing its proposed exchange offer for shares of common stock of Armour and Company (hereinafter referred to as "Armour") and enjoining General Host from the acquisition of any additional shares of Armour's common stock by any other means. The Government alleges that General Host's proposed exchange offer would violate the terms of the Final Decree herein entered on consent against Armour and the other defendants on February 27, 1920 (hereinafter referred to as "Packers' Consent Decree"). General Host was not a party to this Packers' Consent Decree nor has General Host ever been a party to this proceeding at any time either prior to entry of the Decree or during the forty-nine years subsequent thereto.

3. General Host made its initial purchase of 150,000 shares of Armour common stock from Gulf & Western Industries, Inc. in August, 1968. In October, 1968 General Host purchased Gulf & Western's remaining interest consisting of 600,000 shares of Armour common stock. During November, 1968 General Host purchased addi-

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tional Armour stock on the open market, and as of December 2, 1968, General Host owned 1,002,500 shares of Armour common stock, aggregating approximately 16.5% of the total issued and outstanding shares. General Host has made no purchases of additional Armour stock, directly or indirectly, since December 2, 1968.

4. General Host intends to make its exchange offer to holders of Armour common stock in the hope of acquiring a controlling stock interest in Armour. General Host is interested in acquiring a controlling stock interest in Armour because it believes that Armour can become considerably more profitable for its stockholders than it has been during the past several years.

5. Not only is it clear that General Host is not a party to the Packers' Consent Decree, but it is equally clear that in making its proposed exchange offer to Armour common stockholders, General Host is not acting in concert with Armour's present management. Instead, it is acting contrary to its expressed wishes. Mr. William Wood Prince Armour's Chairman and Chief Executive Officer, has openly and publicly opposed any attempt by General Host to obtain a controlling stock interest in Armour and has mounted an extensive publicity campaign against General Host's exchange offer. Full page advertisements of a letter by Mr. Prince to Armour stockholders opposing General Host's offer appeared in the *Wall Street Journal* on January 9, 1969 and in the *New York Times* on January 10, 1969. A copy of this advertisement from the *Wall Street Journal* is attached hereto as Exhibit A. I am informed and believe that in addition to the two newspapers mentioned, other newspapers across the country recently published Mr. Prince's advertisement.

6. Not only do the foregoing advertisements indicate the strength of Armour management's opposition to General Host, but other reports, such as the ones published in the *Wall Street Journal* on December 13, 1968 and on October 23, 1968 (copies of which are attached hereto as Exhibits B and C, respectively), have also made its opposition open and notorious. Armour's opposition to General Host, however, does not arise from any personal

contacts. I have never communicated in any way with Armour's management concerning the exchange offer. So far as I know, there have been no such communications by anyone else representing General Host, except requests to use Armour's financial statements as required by the Securities and Exchange Commission and requests for stockholder lists.

7. The Government's application for an order restraining General Host's proposed exchange offer should be denied at this time as premature. The Government alleges that control of Armour by General Host is prohibited by the Packers' Consent Decree and that such control is imminent. In fact, however, control of Armour by General Host is far from imminent and it may never occur. Although General Host is currently Armour's largest stockholder, its present holdings do not give it control of Armour and are sufficient only to enable it to obtain minority representation on Armour's Board of Directors. This point is explained in more detail later in this affidavit.

8. General Host has not purchased any additional stock in Armour since early December, 1968, and presently has no plans to increase its stockholders in Armour by any means other than the proposed exchange offer. Thus, General Host cannot and will not acquire a controlling stock interest in Armour unless and until General Host's exchange offer is accepted by a sufficient number of Armour's present stockholders. General Host believes that, because of the stockholdings and position of Armour's present management, nothing less than a majority of all of Armour's issued and outstanding common stock would enable General Host to exercise control of Armour.

9. If General Host's exchange offer is unsuccessful, that is, if the number of shares tendered is insufficient to bring General Host's total holdings up to a majority of Armour's stock, General Host will decline to accept any of the tendered shares. Thus, until the outcome of the exchange offer is known and unless the offer is successful, there can be no question of control of Armour by General Host. Therefore, there would appear to be no

question for this Court to decide until the result of the exchange offer is known, and General Host's decision is made. In this connection it should be emphasized that neither General Host nor anyone else can possibly know what the results of the exchange offer will be until the close or near the close of the period of the offer. General Host expects to commence the exchange offer late in January, 1969 and to continue it for two or three weeks. In comparable exchange offers, it is customary for most people to wait until the offer is almost due to expire before deciding whether to accept it. Thus, it will be after the middle of February, 1969 before anyone can know whether or not General Host will acquire any additional Armour stock.

10. Even if General Host acquires a controlling stock interest in Armour through its exchange offer, it does not appear possible under Armour's present Certificate of Incorporation and By-Laws, for General Host to elect a majority of Armour's directors at the 1969 Annual Meeting which is presently scheduled to be held February 21, 1969. It may not be possible for General Host to control Armour by electing a majority of its directors prior to the 1970 Annual Meeting.

11. Armour's Certificate of Incorporation and By-Laws (copies of which are attached hereto as Exhibits D and E, respectively) provide that the Board of Directors shall consist of seventeen persons divided into three classes. Each director has a three-year term of office. Six directors are due to be elected in 1969, five in 1970 and six in 1971. The Certificate and By-Laws also provide for cumulative voting for directors. Assuming that all of the 6,095,000 presently outstanding shares are voted, the following number of shares are needed to elect the following number of directors in 1969:

<i>Number of Directors</i>	<i>Shares Needed</i>
1	864,259
2	1,728,513
3	2,592,769
4	3,457,024
5	4,321,280
6	5,185,536

From the foregoing calculation it can be seen that General Host's present holdings of just over 1,000,000 shares of Armour stock are sufficient to guarantee election of no more than one director in 1969. At most, two directors might possibly be elected by General Host if some of Armour's stockholders do not vote.

12. Moreover, only six of Armour's present seventeen directors are standing for election at the forthcoming Annual Meeting. Therefore, even if every presently outstanding share of Armour stock were tendered, it does not appear presently possible for General Host to elect more than six directors out of seventeen in 1969. Of course, it is highly unlikely that all outstanding stock will be tendered. Certainly, General Host has no reason to suppose that Armour's present management will tender its stock. Therefore, realistically, General Host cannot expect to own enough stock to elect more than four or possibly five directors at the 1969 Annual Meeting, even if General Host obtains valid proxies to vote the stock from all persons who tender to it. ✓

13. Not only may General Host have only a minority position on Armour's Board during 1969 regardless of the extent of its ownership of Armour stock, but in addition, General Host may very well have no representative at all on the Executive Committee of the Board. Armour's By-Laws provide for an Executive Committee which is elected by the directors and which presently consist of eleven of the seventeen directors, including the Chairman and the President. This Executive Committee may exercise most of the powers of the Board of Directors in the management of the business and affairs of Armour, including the hiring and firing of employees. The present management clearly controls the members of the Board and the Executive Committee.

14. So long as the present management retains a majority position on the Board of Directors and the Executive Committee, it can continue to control and operate Armour for a considerable period of time. Thus, even assuming that General Host acquires a majority stock interest in Armour through the exchange offer, it may control Armour for a considerable time.

ind

15. The present exchange offer will not result in any merger or consolidation of General Host and Armour, and no approval for any such merger has been sought from the stockholders of either Company. Even if General Host's exchange offer is successful, Armour will still be engaging in the same businesses in which it is now engaged and General Host will continue to engage separately in its present businesses. No merger of the assets and businesses of the two corporations could possibly take place for a considerable time because the stockholders of both corporations would have to approve any such proposals by two-thirds vote at meetings called for the purpose upon notice as required by Delaware and New York law.

16. Armour and General Host will continue to be operated as separate companies, each for the benefit of its respective stockholders. Armour will continue to be subject to the provisions of the Packers' Consent Decree and General Host, once its representatives assume actual control of Armour, will be obliged to, and will see, that Armour does not engage in businesses forbidden to it by the Decree.

17. In this respect, from the point of view of compliance with the Packers' Consent Decree, there is no difference between control of Armour by General Host and the present control of Armour by Mr. Prince and his associates. Armour is forbidden by the Decree (Paragraph Second) from owning any interest in a public stockyard, and Armour was required (Paragraph Tenth) to divest itself of the stock interest it owned in the predecessor of The Union Stock Yard and Transit Company of Chicago. Nevertheless, as pointed out in the accompanying affidavit of James H. Kelley, Esq., verified the 20th day of January, 1969, Mr. Prince and his associates who presently control Armour also own, directly and indirectly, all the stock of The Union Stock Yard and Transit Company of Chicago, a posted public stockyard and, indeed, one of the stockyard interests of which Armour was required to divest itself. Thus, although the Decree forbids Armour from directly or indirectly owning an interest in a public stockyard, it has never been con-

strued to forbid the controlling stockholders of Armour from engaging in a business forbidden to Armour.

18. For the reasons stated above, no prejudice to the Government's position in this matter will occur by reason of General Host's exchange offer. On the other hand, an injunction which makes it impossible for General Host to proceed with its exchange offer in the near future will cause General Host irreparable damage. Part of this damage consists of the out-of-pocket expenses that General Host has paid and incurred in connection with the preparation of its exchange offer. Even more significant, however, are the attempts that have been made and are being made by Armour's present management to dilute General Host's stock interest in Armour through the issuance of additional shares. Any large dilution in the percentage of Armour stock owned by General Host will make any exchange offer at a later time, after litigation, much more difficult and perhaps will prevent it entirely. This is so because it would be both more difficult and more expensive to obtain 51% of a larger number of Armour shares.

19. To date Armour has proposed the acquisition of two companies in exchange for Armour common stock. The first proposed acquisition was of Williams Brothers Company in December, 1968. This proposed transaction was widely regarded as an effort by Armour's present management to escape from General Host by diluting its interest (see, for example, Exhibit B attached hereto which is subtitled "Packer Apparently is Trying to Elude General Host by Diluting Food Firm's Block—Williams Friendly to Offer").

20. On behalf of General Host, I addressed a letter to each member of Armour's Board of Directors dated December 20, 1968 (a copy of which is attached hereto as Exhibit F) asking several questions about Williams' operations. General Host regarded the proposed transaction as being unfavorable to Armour's stockholders. No reply to this letter was ever received. On December 30, 1968, however, Armour announced that the proposed deal had been cancelled.

21. Shortly thereafter, on January 3, 1969, the Chairman of Klarer of Kentucky, Inc., a regional meat packer located at Louisville, Kentucky, announced that Klarer and Armour were negotiating for the sale of Klarer's stock to Armour in exchange for Armour common stock having an approximate market value of \$75 for each Klarer share. This amount of Armour stock for each Klarer share appears excessive in view of the reports by National Quotations Service that the market price of Klarer stock during the last two years has ranged between \$20 and \$23 per share. In addition, Klarer's 1968 sales declined 6% from 1967 and 21% from 1966 and operating results from net income of \$803,000 in 1964 to a net loss of \$531,000 in 1968. So far as I know this proposed acquisition by Armour remains pending.

22. The two proposed acquisitions by Armour mentioned in the preceding paragraph are the only acquisitions that have so far come to our attention. Reports have reached us from time to time that Armour's present management is very anxious to avoid control by General Host. Since Armour's present management has already sought possible acquisitions in exchange for Armour stock, there is every reason to suppose that they will continue to look for future acquisitions to dilute General Host's interest and perpetuate their own control of Armour.

23. In addition to its efforts to dilute General Host's position, Armour's management has also used Armour's financial power to interfere with General Host's relations with banks that have loaned money to General Host in the past or that might lend money to it in the future. As part of its campaign to intimidate banks, Armour sent letters, such as the one dated November 12, 1968, to Mr. Harry J. Volk, President of Union Bank, Los Angeles, California, a copy of which together with enclosure is attached hereto as Exhibit G. Union Bank has loaned money to General Host in the past and made a loan in connection with General Host's purchases of Armour stock during November, 1968. The only purpose of this letter and similar communications to other banks is to attempt to discourage them from doing business with

General Host. No doubt these efforts and similar efforts have continued and will continue if the exchange offer is enjoined and General Host's efforts to gain a controlling position in Armour are frustrated.

24. Armour can, of course, bring significant financial pressure to bear in Chicago in this connection. It is interesting to note that General Host has been unable to find a single Chicago bank willing to act as forwarding agent for Armour's stock in connection with General Host's exchange offer. General Host's banks approached several of the larger Chicago banks in an attempt to locate a forwarding agent, but each bank declined to act.

/s/ Harris J. Ashton
HARRIS J. ASHTON

[Affidavit Omitted in Printing]

JA 772a

PLAINTIFF'S EXHIBIT NO. 21(B):

COMMENTS OF COUNSEL (p. 166 of Appendix in U.S. v.
SWIFT & COMPANY)

our opinion when we proceed to take all the steps involved in electing directors, as long as they are in this grocery business we are subjecting ourselves to possible contempt. When they get control here, and they are still engaged in the grocery business, we are putting together a combination of two corporations, one of which is in the meat [fol. 25] business, one of which is in the grocery business.

Now I submit, your Honor, that that is simply circumventing the decree.

If we ourselves form a holding company and formed a corporation to engage in the grocery business, I think there would be no question this decree would apply to that conduct on our part. Now this accomplishes the same result. By means of this tender offer they get control of Armour and you have a combination, a unit, an economic unit engaged in both businesses, and that circumvents and frustrates the decree.

Now that is our position, your Honor, and we therefore support the government in the position that this tender offer should be enjoined since their obvious purpose is to obtain control of Armour.

THE COURT: Does anyone else desire to be heard?

MR. JENNER: General Host doesn't wish to be respond, your Honor, other than to advise your Honor that this is a staggered board and neither at the next annual meeting or the one following would any such alleged control be obtained.

[fol. 26] THE COURT: I see some lawyers in the courtroom who have been interested in this case, the old case; I would be glad to hear from anyone.

By the way, does the government wish to comment on anything that has been said here by Mr. Hodson?

MISS LINGREEN: No, your Honor.

THE COURT: Or anything else?

MISS LINGREEN: No.

THE COURT: I will give you one final opportunity to be heard.

MISS LINGREEN: All that I want to say is that as to your Honor's reference to the fact that there are other attorneys in the courtroom who represented the meat packers at the time of the modification hearing, of course they are interested now because if it turns out—

JA 773a

PLAINTIFF'S EXHIBIT NO. 21(C):

COMPLAINT IN U.S. V. SWIFT & COMPANY

IN THE SUPREME COURT
OF THE DISTRICT OF COLUMBIA

In Equity, No. 37623

UNITED STATES OF AMERICA, PETITIONER

v.

SWIFT & COMPANY, ARMOUR AND COMPANY, MORRIS &
COMPANY, WILSON & Co., INC., and THE CUDAHY
PACKING COMPANY, ET AL., DEFENDANTS

PETITION

To the honorable JUDGES OF THE SUPREME COURT
OF THE DISTRICT OF COLUMBIA, sitting in
equity:

The United States of America, by John E. Laskey, its attorney for said district, and by Isidor J. Kresel, John H. Atwood, and Joseph Sapinsky, special assistants to the Attorney General, they being severally duly authorized to act in said capacities by proper lawful authority, acting under the direction of the Attorney General of the United States, brings this proceeding in equity against Swift and Company, a corporation organized under the laws of the State of Illinois; Armour and Company, a corporation organized under the laws of the State of Illinois; Morris & Company, a corporation organized under the laws of the State of Maine; Wilson & Co. (Inc.), a corporation organized under the laws of the State of New York; the Cudahy Packing Company, a corporation organized under the laws of the State of Maine (these corporations are hereinafter referred to as the parent companies), and the following-named corporations and individuals, to wit:

ARMOUR DEFENDANTS

Corporations

Armour & Company, a corporation organized and existing under the laws of the State of New Jersey; Armour & Company, a corporation organized and existing under

the laws of the State of Kentucky; Armour & Company, a corporation organized and existing under the laws of the State of Texas; Armour & Company (Ltd.), a corporation organized and existing under the laws of the State of Louisiana; The Anglo American Provision Company, a corporation organized and existing under the laws of the State of Illinois; The Colorado Packing and Provision Company, a corporation organized and existing under the laws of the State of Colorado; Fowler Packing Company, a corporation organized and existing under the laws of the State of Maine; Hammond Packing Company, a corporation organized and existing under the laws of the State of Illinois; The New York Butchers Dressed Meat Company, a corporation organized and existing under the laws of the State of New York; Atlantic Hotel Supply Company, (Inc.), a corporation organized and existing under the laws of the State of New York.

SWIFT DEFENDANTS

Corporations

Swift & Company, a corporation organized and existing under the laws of the State of West Virginia; Swift & Company (Inc.), a corporation organized and existing under the laws of the State of Kentucky; Swift & Company (Ltd.), a corporation organized and existing under the laws of the State of Louisiana; Swift & Company, a corporation organized and existing under the laws of the State of Maine; Swift Beef Company, a corporation organized and existing under the laws of the State of Maine; United Dressed Beef Co. of New York, a corporation organized and existing under the laws of the State of New York; J. J. Harrington & Company (Inc.), a corporation organized and existing under the laws of the State of New York; Bimbler Company, a corporation organized and existing under the laws of the State of New Jersey; The G. H. Hammond Company, a corporation organized and existing under the laws of the State of Michigan; Omaha Packing Company, a corporation organized and existing under the laws of the State of Kentucky; Plankinton Packing Company, a corporation

organized and existing under the laws of the State of Wisconsin; Sturtevant & Haley Beef & Supply Company, a corporation organized and existing under the laws of the State of Massachusetts; E. K. Pond Packing Company, a corporation organized and existing under the laws of the State of Illinois; Van Wagenen & Shickhaus Company, a corporation organized and existing under the laws of the State of New Jersey; Western Packing Company, a corporation organized and existing under the laws of the State of Colorado; Hammond Beef Company, a corporation organized and existing under the laws of the State of Michigan; Omaha Meat Company, a corporation organized and existing under the laws of the State of California; A. Canfield Commission Company, a corporation organized and existing under the laws of the State of New Jersey; H. C. Derby Company, a corporation organized and existing under the laws of the State of New York; Metropolitan Hotel Supply Company, a corporation organized and existing under the laws of the State of Maine; Vermont Supply Company, a corporation organized and existing under the laws of the State of Massachusetts; The Hotchkiss Beef Co., a corporation organized and existing under the laws of the State of New York; F. & C. Crittenden Company, a corporation organized and existing under the laws of the State of New York; George Nye Company, a corporation organized and existing under the laws of the State of Massachusetts; H. L. Handy Company, a corporation organized and existing under the laws of the State of Massachusetts; Swift Coates Company, a corporation organized and existing under the laws of the State of Massachusetts; New England Dressed Meat & Wool Company, a corporation organized and existing under the laws of the State of Maine; North Packing & Provision Company, a corporation organized and existing under the laws of the State of Maine; The Sperry & Barnes Company, a corporation organized and existing under the laws of the State of Connecticut; John P. Squire & Company, a corporation organized and existing under the laws of the State of Maine; John P. Squire & Company (Inc.), a corporation organized and existing under

the laws of the State of Massachusetts; John P. Squire & Company Incorporated, a corporation organized and existing under the laws of the State of Rhode Island; Springfield Provision Company, a corporation organized and existing under the laws of the State of New Hampshire; White, Pevey & Dexter Company, a corporation organized and existing under the laws of the State of Maine.

MORRIS DEFENDANTS

Corporations

Morris Packing Company, a corporation organized and existing under the laws of the State of Maine; Morris & Company, a corporation organized and existing under the laws of the State of New Jersey; Morris & Company, a corporation organized and existing under the laws of the State of Louisiana; Morris and Company, of Pennsylvania, a corporation organized and existing under the laws of the State of Pennsylvania; Joseph Stern & Sons (Inc.), a corporation organized and existing under the laws of the State of New York; Brooklyn Beef & Provision Co., a corporation organized and existing under the laws of the State of New York; Condit Beef & Provision Company, a corporation organized and existing under the laws of the State of New Jersey; Corwin, Wilde Company, a corporation organized and existing under the laws of the State of Massachusetts; Donnelly & Company (Inc.), a corporation organized and existing under the laws of the State of Massachusetts; National Hotel Supply Company, a corporation organized and existing under the laws of the State of Illinois; Chamberlain & Company (Inc.), a corporation organized and existing under the laws of the State of Massachusetts; J. M. Wilson Company, a corporation organized and existing under the laws of the State of Massachusetts; Middletown Beef & Provision Company, a corporation organized and existing under the laws of the State of Massachusetts; Glenn & Anderson Co., a corporation organized and existing under the laws of the State of Illinois.

WILSON DEFENDANTS

Corporations

Wilson & Co., a corporation organized and existing under the laws of the State of New Jersey; Wilson & Co. (Inc.), a corporation organized and existing under the laws of the State of Nevada; Wilson & Co. (Inc.), of Louisiana, a corporation organized and existing under the laws of the State of Louisiana; Wilson & Co. (Inc.), of Oklahoma, a corporation organized and existing under the laws of the State of Oklahoma; South Dakota Provision Co., a corporation organized and existing under the laws of the State of South Dakota; Gotham Hotel Supply Co. (Inc.), a corporation organized and existing under the laws of the State of New York; Standard Beef Co., a corporation organized and existing under the laws of the State of New York; Stiefel-O'Mara Co. (Inc.), a corporation organized and existing under the laws of the State of New York; Drexel Packing Co., a corporation organized and existing under the laws of the State of Illinois; Albert Lea Packing Co. (Inc.), a corporation organized and existing under the laws of the State of Virginia; Mississippi Packing Co. (Inc.), a corporation organized and existing under the laws of the State of Virginia; Morton-Gregson Co., a corporation organized and existing under the laws of the State of Delaware; Paul O. Reymann Co., a corporation organized and existing under the laws of the State of West Virginia; Standard Provision Co., a corporation organized and existing under the laws of the State of New Jersey; Central Products Corporation, a corporation organized and existing under the laws of the State of Virginia.

CUDAHY DEFENDANTS

Corporations

Cudahy Packing Company of Nebraska, a corporation organized and existing under the laws of the State of Nebraska; Cudahy Packing Company of Alabama, a corporation organized and existing under the laws of the

State of Alabama; Cudahy Packing Company of Louisiana (Ltd.), a corporation organized and existing under the laws of the State of Louisiana; Nagie Packing Company, a corporation organized and existing under the laws of the State of New Jersey.

OTHER DEFENDANTS

Corporations

Western Meat Company, a corporation organized and existing under the laws of the State of California; Oakland Meat & Packing Company, a corporation organized and existing under the laws of the State of California; Nevada Packing Company, a corporation organized and existing under the laws of the State of Nevada.

These corporations are hereinafter referred to as the subsidiaries defendants.

ARMOUR DEFENDANTS

Individuals

J. Ogden Armour, Charles W. Armour, A. Watson Armour, Laurence H. Armour, Arthur Meeker, Robert J. Dunham, F. Edson White, George M. Willetts, Frederick W. Croll, George B. Robbins.

SWIFT DEFENDANTS

Individuals

Louis F. Swift, Edward F. Swift, Charles H. Swift, Gustavus F. Swift, Jr., Harold H. Swift, Alden B. Swift, George H. Swift, Laurence A. Carton, Frank S. Hayward, Charles A. Peacock, Wilfred W. Sherman, Wellington Leavitt, John M. Chaplin, William B. Traynor.

MORRIS DEFENDANTS

Individuals

Edward Morris, Nelson Morris, Louis H. Heymann, Charles M. Macfarlane, Harry A. Timmins.

WILSON DEFENDANTS

Individuals

Thomas E. Wilson, Arthur Lowenstein, Jacob Moog, Vonce De Leon Skipworth, Arthur L. Smith, James A. Hamilton, George D. Hopkins, Adolph E. Peterson, George H. Cowan, William C. Bueth, Carl F. Burrell, James C. Good.

CUDAHY DEFENDANTS

Individuals

Edward A. Cudahy, Sr., Edward A. Cudahy, Jr., Guy C. Shephard, John E. Wagner, Andrew A. Anderson, Emil A. Strauss, Frank E. Wilhelm, George Marples.

OTHER DEFENDANTS

Individuals

Fred L. Washburn.

These defendants are hereinafter referred to as the individual defendants.

COURT'S JURISDICTION

The parent companies, either directly or through subsidiaries, are engaged in interstate and foreign commerce in (a) the purchase and slaughter of live stock, (b) the preparation and manufacture of dressed meats and edible by-products of the slaughter, (c) the curing, canning, or otherwise preparing for the market of the edible products and by-products of the slaughtered animal, (d) the production and sale of nonedible by-products and of articles in the manufacture of which these nonedible products are largely used, (e) the manufacture, canning, or otherwise preparing for the market, sale, and distribution of food supplies other than meats (these are hereafter referred to as substitutes for meat foods), (f) the manufacture and sale of various other articles commonly purchased and used either by the producer of

live stock, the companies transporting the live stock or dressed meats or the competitors of the parent companies (these are hereinafter referred to as unrelated commodities).

By the unlawful means and methods hereinafter set out and complained of, the parent companies and the subsidiaries, defendants, acting by and through their principal officers, who have been made defendants herein, have attempted to dominate, control, and monopolize a very great proportion of the food supply of the Nation and have thereby built up an unlawful monopoly and control over divers and sundry products and commodities herein referred to, and which are necessary to the life, health, and welfare of the people of the United States. And by the same or similar methods the said parent companies and the subsidiaries defendants are attempting to increase and extend said monopoly, and are enabled thereby and do artificially control the supply and the price of the food supplies of the Nation.

The Government in instituting this proceeding invokes the general equity powers of this court in addition to the authority conferred upon it and contained in the act of Congress dated July 2, 1890, and entitled "An Act to protect trade and commerce against unlawful restraints and monopolies", said act being commonly known as the Sherman antitrust law, and further conferred and contained in acts amendatory thereof and supplemental or additional thereto, and particularly the act known as the Clayton Antitrust Act dated October 15, 1914, being entitled "An act to supplement existing laws against unlawful restraints and monopolies and for other purposes," which said acts by special provisions give to this court jurisdiction in all such matters as are set out in the following petition.

OBJECT TO BE ATTAINED

This petition is filed and these proceedings are instituted to put an end to any and all monopolies which the defendants may have created or obtained in the interstate trade or commerce of live stock, meat products, and substitute foods, and to prevent the continuance of

unlawful monopolies by the defendants, in the aforesaid trade or commerce in the products and commodities so described, and to deprive said defendants of certain instrumentalities, facilities, and advantages by which they have been enabled heretofore to more effectively perfect their attempts to monopolize; to compel the defendants to desist from dealing in certain of the substitute foods, and certain of the unrelated commodities; to limit in the manner hereinafter set forth, the interests which the individual defendants may have in corporations handling certain substitute foods and unrelated commodities; and to dissolve any and all contracts, combinations, and conspiracies in restraint of trade or commerce between the several States, which contracts, combinations, or conspiracies are more fully hereinafter described and to prevent said defendants from maintaining said contracts, combinations, or conspiracies with each other, or from entering into further contracts, combinations, or conspiracies with each other or with other persons.

THE NATURE OF THE BUSINESS AND METHOD BY WHICH IT IS CONDUCTED

The principal business of each of the parent companies, conducted by each company directly or through its subsidiaries, is the slaughter of live stock, consisting of cattle, hogs, sheep, and calves, the dressing of the carcasses, and the distribution of the dressed meat in interstate commerce through various means by which the dressed meat reaches the retail butchers and is by the retail butchers sold to the consumers.

Each of these concerns is the successor or natural outgrowth of concerns of many years' standing. In their inception these concerns devoted themselves exclusively to the slaughter of live stock, the dressing of the carcass, and the sale of the dressed meat to retail butchers or consumers. The invention of what are known as route cars and refrigerator cars, by means of which the dressed meats might be hauled long distances and preserved for a considerable length of time, free from decay, enabled the parent companies to widely extend their market so

as to make it nationwide, and further enabled them to slaughter the live stock near the source of supply.

As the demand for live stock grew in volume the institution known as the stockyard was evolved.

THE STOCKYARDS

The stockyard was and is in theory a public market place to which all who wish to either buy or sell may have free access and right to trade. The stockyards afford to the cattle raiser the opportunity to dispose of his live stock for an immediate cash price. Contiguous to such stockyards commission men, dealing exclusively in the sale of live stock, locate themselves. These commission men attend to the care of the live stock upon its arrival, effect the sale of the stock so consigned, attend to its weighing, collect the proceeds of the sale and remit to the consignor after deducting customary commission.

Stockyards render certain services to the shipper, for which they make charge, to wit, yardage (furnishing the facilities and performing the services of placing and keeping the animals in pens and watering them), feeding and selling food, weighing, dipping, bedding cars, and often loading and reloading.

The yardage charges are ordinarily based upon an arbitrary price per head for each kind of stock, but in some instances they are based upon the hundredweight. The charge for feed is fixed by the stockyards and includes the services rendered in feeding. The amount of the charges made or to be made for the other items of services or materials furnished is also fixed by the stockyards or those who are in control of the yards.

In connection with each stockyard there is need for certain facilities and conveniences for the benefit of either the shipper or the buyer of the live stock. The stockyards, by reason of its dominating position, control these conveniences and facilities.

CONVENIENCES AND FACILITIES CONTROLLED BY STOCKYARDS

Packing House Sites

In furtherance of the tendency to centralize the market, it became of advantage to establish the slaughterhouses and packing plants either in, or immediately adjacent to, the stockyards. The stockyard companies generally own or control all the available land within the yards, and at most of the important yards the land surrounding the yards is owned by companies controlled by the stockyard company or its principal stockholders. New packing companies, as a rule, can secure desirable packing sites only from the stockyard companies or from these land-development companies. The owners of stockyard companies are, therefore, in a position to determine what packing companies and how many plants shall be established at the yards.

SITES FOR STOCKYARD BANKS AND CATTLE LOAN COMPANIES

The cattle raiser is in many instances dependent upon banks or loan companies to finance him in the rearing of his live stock and until such times as the stock shall have been sold. From the nature of the business it is a great advantage to these banks to locate in or near stockyards. It, therefore, lies within the power of the owner of the stockyard companies to designate how many and which banks or loan companies may establish themselves at the yards.

RENDERING PLANTS

While in transit or after reaching the yards, live stock often die either from disease or accident. The stockyard companies, by virtue of their agreement with the commission men, are permitted to determine who shall buy the dead animals and the price which shall be paid therefor. This monopoly power has generally resulted in the establishment of only one dead rendering plant at each of the important yards.

COMMISSION MEN'S OFFICE SPACE

The commission men and traders at the stockyards must have offices in or near the yards. They can get such accommodations only from renting or leasing from the stockyard companies. For the purpose of furnishing such office space each yard has a large building or series of buildings in which offices are leased to the commission men. The commission men are allotted pens, and inasmuch as it is of great advantage to commission men to be able to dispose of his customer's live stock at the earliest possible hour, location of pens most favorable to the prospective buyer is of great advantage.

TERMINAL RAILWAYS

The centralization of the market at one site and the resultant growth of the packing houses in or about the market, of necessity, require terminal railways to facilitate the switching of cars from the railroads to the stockyards, from the yards to the packing plants, and from the packing plants to the railroads. These terminal or stockyard railways are usually owned by the stockyard companies or by those in control of the stockyard companies. Control of these railway carries with it the power to grant or withhold sidings, spurs, or other accommodations which may be required by the packing house, and those in control of said terminal railways are thereby in a position to discriminate against other packers or independent buyers by practicing delay in loading the animals bought by said packers or independent buyers and in switching the loaded cars to the connecting lines.

MARKET PAPERS AND JOURNALS

In addition to having a free market in which to dispose of his live stock, the cattle raiser requires full, accurate and unbiased reports of the demand for live stock, the prices prevailing, and the character and kind of stock required, together with such other information as to market or trade conditions. The cattle raiser, of necessity, is located at places remote from the market, he rarely

accompanies his shipment to the market, and by reason of the cost of shipment and of feeding in transit and while being held for sale it is imperative that he dispose of his stock when once he has shipped. For his guidance the cattle raiser relies largely upon the trade papers and journals. Control of these papers and journals furnishes a means whereby the flow of stock to the market may be increased or decreased to the benefit of the slaughterer.

It is, therefore, evident that control of the stockyards and of the other facilities appertaining to the stockyards carries with it:

(a) A profit derived from the meat industry levied upon it and collected before the animal is slaughtered, all of which profit, however, evidences itself in the ultimate cost which the consuming public must pay for the dressed meat.

(b) A potential means of favoritism in dealing with commission men and of influence over them, a power to grant monopolies—carrying with it consequent profit—to banks, cattle-loan institutions, rendering plants, to concerns supplying food for live stock, and to others.

(c) A means to prevent the establishment of new packing plants and to hamper the growth of those in existence.

(d) A means to prevent the development and limit the number of new markets and to centralize and restrict business to the stockyards so controlled.

(e) Peculiar and exclusive access to information concerning the receipts and sale of live stock, its disposition, and the dissemination of information to the producer.

BRANCH HOUSES, ROUTE CARS, AUTOTRUCKS, AND COLD-STORAGE WAREHOUSES

Branch Houses

The primary means adopted by the parent companies in the distribution of their dressed meats are the branch houses. These houses are storage stations located in the cities and larger towns. They are equipped with facilities for cooling and preserving meats, and each is under

the charge of a branch house manager, under whose direction the branch house sales organization sells to retail and wholesale butchers, to purveyors, hotels, restaurants, and other similar large consumers. The parent companies maintain 1,120 branch houses in various large towns and cities throughout the United States, as against which all other interstate slaughterers, independent of the parent companies, maintain only 139.

Route Cars

The route cars supplement the branch houses. They serve the purpose of reaching these small communities where the trade is not sufficiently large to justify investment in a branch house. These route cars travel over what are known as car routes. Orders are taken in advance and the route cars reaching specified towns on specified dates serve the requirements of the smaller communities. The starting point for the route cars is usually the packing plant, though in some instances the route cars start from a branch house. The parent companies operated as of June, 1918, 1,297 route cars, which constituted 90 per cent of the total number operated in the packing industry. Said route cars reach and serve dealers in 37,176 towns, and operate in 37 of the States of the United States.

Autotrucks

This is a further development of the route-car plan. It had its origin in the development of the motor truck, and because of its freedom from railway limitations and schedules it is enabled to reach a wider radius and smaller towns than is the route car.

The autotrucks have been adopted primarily by Armour & Co. as a supplement to the car routes. These autotrucks reach and serve a total of 20,836 towns throughout the United States.

Cold-Storage Warehouses

The cold-storage warehouses were in the beginning adopted as an instrumentality for enabling the parent

companies to extend the volume of their slaughter of live stock and sale of dressed meat. In the first instance, they were used for chilling meat in connection with the packing business. Then they were constructed in connection with the branch houses, so that they might be used for storing and holding the finished meats until they were sold. Later they were either built or acquired in the large eastern seaboard cities for long-time storage and for storing for export. As will be more fully set forth hereafter in discussing the control of substitute foods, these storage warehouses were later employed to store nonmeat-food products. Later control was acquired over public storage warehouses where surplus space was leased or let to others. Later it will be pointed out how control of this public-storage warehouse was employed to aid in control of the price of meats and substitute foods.

THE PARENT COMPANIES' ACQUISITION OF ABOVE-NAMED DESCRIBED FACILITIES AND THEIR PURPOSE IN DOING SO

The parent companies and their controlling heads, appreciating the advantages which were to be gained by controlling the stockyard, and the facilities pertaining thereto, the terminal railways and market papers and trade journals, and realizing that the requisition of such instrumentalities might thus enable them to obtain a primary profit not only out of the sale of live stock purchased and slaughtered by them but also on that purchased and slaughtered by their competitors, and realizing the opportunities thereby to repress and discourage the development of independent packers and slaughter houses and to control the shipments of meat to the various markets, set about the acquisition of the various stockyards and the appurtenances and privileges incidental thereto. This in many instances was done by a concert of action and pursuant to a common understanding. In most instances the acquisition of control of the aforesaid stockyards by any one or more of the parent companies was acquiesced in by the others and in all instances the ownership or control of stockyards by other packers or by any one in fact other than the parent companies or

one of their members or their controlling heads, was discouraged and opposed.

In pursuance of a common purpose, plan, and design, outside investors and independent packers have gradually been forced out as dominating factors both in the ownership and management of most of the important stockyards and have been replaced by the parent companies or their representatives. This acquisition has been accomplished by various methods: In the earlier years by exacting stock donations under threats of moving away their packing plants, later by cash subscriptions for stock, generally below par, and in other instances by voluntary reorganization of stockyard companies in order that the parent companies and their controlling heads might gain a controlling or dominating power in the yards and thus be induced to continue to maintain their packing plants thereat. By these various means the parent companies directly, or indirectly through their controlling heads, have been enabled to obtain control of substantially all of the large stockyards of the country. They now have, either jointly or separately, a controlling interest in 22 of the 50 market stockyards in the United States.

The parent companies have availed themselves of the control so acquired by them in the stockyards aforesaid to elect the officers and directors of said stockyards and to dominate and control the policies thereof. They have granted exclusive privileges, such as the right to purchase dead animals, the right to furnish supplies and facilities and the location of cattle banks and cattle loan companies, hold the controlling stock, and they have otherwise, acting in concert, employed the powers and privileges more specifically set forth and discussed under the heading "Nature of the business and method by which it is conducted"; all of which has been done with the intent and purpose of, and has had the effect of discouraging and suppressing the establishment of independent packing establishments and dwarfing the growth of such independent packing companies as might then be in existence, and to enable said parent companies, their subsidiaries or the individuals who own and control the parent companies and their subsidiaries to obtain vast

profits from the management of the stockyard and the granting of the privileges appurtenant thereto, which profits are realized not only upon the live stock purchased by the packers but upon that purchased by their competitors. These methods have thus enabled them to enjoy and realize such profits without the same appearing or being disclosed in the profits of the parent companies; they have also furthered the attempt of said parent companies to monopolize the meat industry of the country and to artificially control the ultimate price which the consumer pays for meat and meat products.

Contracts in Restraint of Trade

The parent companies have entered into certain unlawful contracts and combinations to restrain trade and commerce and to artificially prevent between themselves competition in the prices for which meat and meat products are sold.

The most important of said contracts and agreements is what is known as the percentage purchase arrangement. This arrangement, though applied primarily in the purchase of live stock, had as its ultimate object the elimination of competition, not only in the purchase of live stock but also in the sale of dressed meats. It is a well-established commercial principle that a limitation upon the source of supply and the consequent limitation upon volume of business are the easiest means of removing all incentive to reduce prices.

The simplest way to limit the volume of dressed meat is to limit the purchase of live stock.

Recognizing these principles, the parent companies thereupon agreed upon and thereafter recognized between themselves certain percentages or proportions to which they deemed that each company was entitled, and they thereafter so gauged their purchases that annually their respective purchases approximated actually or substantially the percentages so agreed upon.

As a means of perfecting this arrangement, divers percentages varying at different stockyards were agreed upon, and understandings were had that certain of the parent companies should buy in certain yards or should

refrain from buying in certain stockyards. In order to prevent such plans from being disarranged by outside agreements were made with such outsiders by which purchases between the parent companies and the independents were effected upon a percentage basis similar to the above.

Means were adopted and by virtue of the parent companies, control over many of the stockyards were easily executed by which sales to outsiders or independents were controlled by the parent companies.

Control over the stockyards, the stockyards loan institutions, the terminal railways, and other privileges and prerequisites has discouraged any opposition by either commission men or independent packers.

Control of Substitute Foods

Having eliminated competition in the meat products, the defendants next took cognizance of the competition which might be expected from what we here refer to as substitute foods. Their experience had taught them that if meat prices advanced out of proportion to that of other substitute foods, the consuming public manifested a tendency to turn to such substitutes. To prevent this the defendants set about controlling the Nation's supplies of fish, vegetables, either fresh or canned, fruits, cereals, milk, poultry, butter, eggs, cheese, and other substitute foods ordinarily handled by wholesale grocers or produce dealers. To accomplish this purpose the defendants availed themselves of the advantages afforded by the refrigerator cars, route cars, auto trucks, branch houses, and storage warehouses owned or controlled by them. These facilities intended primarily for the sale of meats were employed with comparatively no increase of overhead in the distribution of the substitute foods and unrelated commodities. The defendants were enabled thereby to reach remote spots. This advantage was also employed temporarily to fix prices so low as to gradually eliminate competition.

These attempts to monopolize have resulted in complete control in many instances of the substitute food lines.

They have made substantial headway in others. The control is extensively and rapidly increasing. New fields are gradually being invaded, and unless prevented by a decree of this court the defendants will within the compass of a few years control the quantity and price of each article of food found on the American table.

EXTENT TO WHICH THE MONOPOLISTIC ATTEMPTS HAVE BEEN SUCCESSFUL

Financial Growth, Present Net Worth, and Volume of Business

In the 15 years from 1904 to 1919, Swift & Co., Armour & Co., Wilson & Co. (Inc.), and the Cudahy Packing Co., according to their financial reports, grew from a net worth of approximately \$92,000,000 to a net worth of approximately \$479,000,000, and in this same period they paid in cash dividends \$105,000,000. Only \$89,000,000 of their increased worth represented new capital. Though always asserting a very low rate of profit on sales, the five parent companies have grown so rapidly that their combined net profits for 1917 have equaled nearly the amount of their total net worth in 1904. Sales in 15 years have increased until for the fiscal year 1918 they reached the vast sum of \$3,200,000,000. This was realized from meats, substitute foods, and unrelated lines, as hereinabove set forth. In stating these figures account has been taken only of the profits and sales of the parent companies and subsidiaries included by them upon their books. No account has been taken of the many corporations which are owned or controlled by the same family or financial interest as own or control the parent companies.

In addition to these profits there have been other vast profits, difficult of ascertainment, realized by the individuals by virtue of either their personal control of other packing houses and slaughtering companies or their interest in stockyards, terminal railways, rendering companies, cattle-loan institutions and banks, and other corporations, all of which corporations have their inception

and depend for their prosperity upon advantages or privileges growing out of the interlocking control of the stockyard and stockyard appurtenances.

Number of Controlled Companies

The parent companies or the individual defendants and their families maintain and control 574 corporations or concerns, including 131 trade names. They have a significant minority stock interest in 95 others and an interest of unknown extent in an additional 93. Thus the total number of concerns in which they have control or interest is some 672. In the years that are past the parent companies have acquired or organized many other concerns and have maintained them so long as they were useful for their purposes. When no longer useful those concerns, so acquired or organized, have been dissolved and their businesses have been merged into that of the parent companies or that of other subsidiaries. Such dissolved corporations and concerns are omitted in the above compilation except in those instances where their names have been continued as trade names. The total of 762 above stated, therefore, falls far short of representing the number of concerns that corporate and individual defendants have acquired or have organized in furtherance of the general scheme and plan of action already explained.

Extent of Industrial Control in the Substitute Foods and Unrelated Commodities

It would be an enormous undertaking to determine the degree of control exercised by the defendants in all of these various industries. Enough has been ascertained to indicate that the growth has been rapid and that if permitted to continue unchecked, in a matter of a few years the control will be complete.

In 1916 the business of Armour & Company in canned fish, vegetables and sundries, canned and dried fruits, fruit preserves (soda fountain supplies) and grape juice amounted to \$6,396,036.73; in 1918, two years later, the same company's volume of business in these same items was \$39,820,000, over a sixfold increase. While part of

this increase of business may be attributed to the increase of population and the consequent increase of consumption, the greater part thereof was acquired at the expense of competitors. Of the corporations which have been acquired by the parent companies in recent years, a large number are concerns manufacturing or selling these substitute foods or unrelated commodities. This fact, together with the increased activities of the parent organizations, themselves, in these lines indicates a well-defined purpose on their part to secure control of the market for meat-substitute foods. In addition to the companies whose control has been acquired by outright purchase, the parent companies have, in a large number of instances, contracted for the exclusive output of many other companies engaged in the production of the substitute foods and the unrelated commodities. The outputs of these plants are marketed by the parent companies or by their subsidiaries through the distribution facilities of the parent companies. In this fashion the parent companies control the output of these concerns and the market price of their products as completely as though they themselves owned the producing companies.

Individual Defendants

The individual defendants are either officers, directors, agents, or employees of the parent companies or their subsidiaries or large stockholders of parent companies and subsidiaries who are otherwise affiliated in commercial operations with the active heads of the parent companies. These individual defendants are in their individual capacity financially interested to a great extent in the stockyards, terminal railways, cattle loan banks, rendering companies, and other institutions interrelated with the stockyards. They, or some of them, control the corporations dealing in the substitute foods and the unrelated commodities. In many instances, in addition to their individual holdings, they hold stock in these corporations for the benefit of the parent companies. The control by these individuals of the facilities or instrumentalities of the meat business and their interest in concerns dealing in the substitute foods and the unrelated commodities enable the parent companies to carry

out the purpose of the combinations hereinabove described, and are now and will continue to be a sinister and ever-present means of furthering the attempt to monopolize and perfect it to such a degree that the parent companies or their subsidiaries will have complete control not only of meat products but of all substitute foods consumed in the United States.

Subsidiaries Defendants

These comprise many, but not all, of the subsidiaries owned or controlled by the parent companies. Only these subsidiaries, which are substantially 100 per cent parent-company owned and which are engaged either in the slaughtering, packing, or selling of meats, have been made parties defendants. It is the plan and scheme of this petition and the prayer for relief that the corporations which in themselves own the facilities more specifically described above or deal in the substitute foods and unrelated commodities shall not be made parties defendants in the first instance or until it appears that they are necessary parties defendants, but that the parent companies, the subsidiary defendants, and the individuals should be compelled to divest themselves of all interest in or connection with the subsidiaries owning the facilities or dealing in the substitute foods or commodities referred to.

Prayer

Wherefore, petitioner prays.

I. That the defendants, and each of them, be forever enjoined from continuing any contract, combination, or conspiracy in restraint of trade or commerce in the purchase of live stock, or the purchase, sale, or distribution of dressed meats or other products or commodities now handled by them, or any of them, among the several States or foreign nations, which contract, combination, or conspiracy may now exist between them, or any two or more of them, or from doing any act pursuant to or in furtherance of any such contract, combination, or conspiracy, and that they be enjoined from entering into any other or further contract, combination or conspiracy, either among themselves or among any two or more of

them, or with any other person or persons whatsoever, in restraint of trade or commerce between the several States and foreign nations.

II. That they, and each of them, be enjoined and forever restrained from monopolizing, or attempting to monopolize, or conspiring to monopolize, the trade or commerce between the several States or with foreign States in the purchase, sale or distribution of live stock or the commodities aforesaid.

III. That the defendants, and each of them, be required to divest themselves to such extent and upon such terms and conditions as the court may deem proper from such interest in or control over public cold-storage warehouse, retail meat markets, stockyards, terminal railways, market or trade journals, or such other facilities as are connected with or are appurtenances to the stockyards, in such instances as the court may deem that such instrumentalities constitute a means of facilitating the formation or continuance of monopolies in the purchase of live stock or the sale of the commodities aforesaid.

IV. That the corporation defendants, and each of them, be perpetually enjoined from permitting their refrigerator cars, route cars, auto trucks, or branch houses, or other distributive facilities, to be used for the distribution or sale of commodities of the character and kind hereinbefore generally described as substitute foods and unrelated commodities in such instances and to such extent as the court may deem necessary for the purpose of preventing the aforesaid defendants from acquiring a monopolistic control over the trade or commerce in such commodities, or a control which may enable them to restrain the trade or commerce or artificially affect the price of any commodities in which the aforesaid defendants now deal.

V. That the defendants and each of them be required to divest themselves of all stockholdings or other interests in any corporation, partnership, or association now dealing in any of the food substitutes or unrelated commodities hereinbefore more specifically described, and that wherever said defendants own, operate, or control a department buying, selling, or otherwise distributing substitute foods, unrelated commodities, or any of them,

that they be required to discontinue the aforesaid department, and that the defendants and each of them be restrained and perpetually enjoined from hereafter acquiring any stockholdings or interests of the character hereinbefore described, in any corporation dealing exclusively or partially in the said substitute foods or commodities hereinbefore referred to, or from themselves engaging in such business, either directly or through a department.

VI. That the defendants and each and every one of them be perpetually enjoined from indulging in any unlawful practice or committing any act of unfair competition or any other act with the purpose of or which may have the effect of unduly restraining trade and commerce, or which may be indulged in or done with the purpose or effect of monopolizing said trade or commerce in the commodities now manufactured, bought, sold, or otherwise dealt in by the defendants or any one of them.

VII. That your petitioner be granted such other and further relief as the nature of the case may require and the court may deem just and proper in the premises.

To the end, therefore, that the United States may obtain the relief to which it is justly entitled in the premises, may it please your honors to grant writs of subpoena directed to each and every one of said defendants, commanding them and each of them to appear herein and answer, but not under oath (answers under oath being hereby expressly waived), the allegations contained in the foregoing petition, and to abide by and perform such order or decree as the court may make in the premises, and upon final hearing hereof to permanently enjoin each of the defendants as hereinbefore prayed.

Respectfully submitted.

JOHN E. LASKEY,
United States Attorney.

A. MITCHELL PALMER,
Attorney General.

ISIDOR J. KRESEL,
JOHN H. ATWOOD,
JOSEPH SAPINSKY,
Special Assistants to the Attorney General.

JA 797a

PLAINTIFF'S EXHIBIT NO. 21(D):

PETITION FOR INJUNCTION IN U.S. v. SWIFT &
COMPANY

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

Civil No. 58 C 613

UNITED STATES OF AMERICA, PETITIONER

v.

SWIFT AND COMPANY, ET AL., DEFENDANTS

PETITION FOR INJUNCTION

The United States of America, by its attorneys, brings this petition against General Host Corporation (hereinafter "General Host") and alleges as follows:

I.

Jurisdiction and Venue

1. This petition is filed in order to prevent and restrain violation of the Decree entered by the Supreme Court of the District of Columbia on February 27, 1920 in Equity Cause No. 37623, which cause was transferred to this Court by order dated January 15, 1958.

2. General Host is a New York corporation doing business in the State of New York.

II.

Trade and Commerce

3. The Decree entered in this cause on February 27, 1920 perpetually enjoins and restrains Armour and Company (hereinafter "Armour") from manufacturing, jobbing, selling, transporting (except as common carriers), distributing or otherwise dealing in any of the products or commodities listed therein, including bread, flour, sugar, fresh milk and cream, and many other food products customarily found in food stores and restaurants.

4. General Host, through its divisions and wholly-owned subsidiaries, is engaged in the business of manu-

facturing, jobbing, selling, distributing, or otherwise dealing in products or commodities listed in the Decree as follows:

- a. Bond Baking Company and Eddy Bakeries Company produce and distribute bakery products;
- b. Van de Kamp's produces baked goods, processes frozen convenience foods, and operates coffee shops, restaurants, and bake shops;
- c. Yellowstone Park Company and Everglades Park Company, Inc., operate inns, lodges, restaurants, and other facilities in Yellowstone National Park and Everglades National Park, respectively;
- d. Vernell's makes and sells candy and crackers;
- e. Li'l General Stores operates approximately 380 convenience stores, the principal sales of which include cold beverages, dairy products, and bread.

III.

Offense Charged

5. Since sometime in August 1968 General Host has initiated and pursued a plan to acquire control of Armour by purchasing shares of the common stock of Armour.

6. General Host now holds 1,002,500 shares of the common stock of Armour, representing approximately 16.5% of Armour's outstanding common stock.

7. On January 20, 1969, the shareholders of General Host authorized an exchange offer to be made to the holders of the common stock of Armour.

8. General Host has stated that it may accept all shares of Armour common stock tendered pursuant to the exchange offer.

9. Control of Armour by General Host is imminent.

10. Control of Armour by General Host will result in violation of the Decree entered in this cause on February 27, 1920, by causing Armour to be engaged in activities prohibited to it by the Decree.

IV.

Prayer

WHEREFORE Petitioner prays:

11. That pursuant to Section 5 of the Act of Congress of July 2, 1890 (15 U.S.C. § 5), commonly known as the Sherman Act, the Court order summons to be issued commanding General Host to appear and answer the allegations contained in this petition.

12. That a temporary restraining order be issued enjoining and restraining General Host from directly or indirectly acquiring or taking any action to acquire additional shares of stock in Armour, pending a hearing before this Court;

13. That an injunction be issued enjoining and restraining General Host from directly or indirectly acquiring or taking any action to acquire additional shares of stock in Armour and from taking any action to exercise control over or to influence the business affairs of Armour, as long as General Host is engaged in businesses dealing in products listed in the Decree of February 27, 1920.

14. That petitioner have such other and further relief as the nature of this case may require and the Court may deem proper in the premises; and

15. That the petitioner recover its costs.

Dated: January 20, 1969

/s/ Edna Lingreen
EDNA LINGREEN

/s/ Peter H. Goldberg
PETER H. GOLDBERG

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2634 United States Court House
219 South Dearborn Street
Chicago, Illinois 60604
Telephone: 253-7538

JA 800a

PLAINTIFF'S EXHIBIT 21(E):

AFFIDAVIT IN SUPPORT OF PETITION

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

[Caption Omitted in Printing]

AFFIDAVIT IN SUPPORT OF GOVERNMENT'S
PETITION FOR AN INJUNCTION

CITY OF WASHINGTON)
) SS
DISTRICT OF COLUMBIA)

EDNA LINGREEN, being duly sworn, deposes and says:

I am an attorney in the United States Department of Justice and am familiar with the subject matter of this petition. I submit this affidavit in support of the Government's petition to enjoin General Host Corporation (hereinafter "General Host") from taking action which will result in violation of the decree entered in *United States v. Swift and Company, et al.*, Equity No. 37623, on February 27, 1920 by the Supreme Court of the District of Columbia.

The petition filed today alleges that General Host has initiated and pursued a plan to acquire control of Armour and Company (hereinafter "Armour") which, if successful, will result in violation of the Decree entered in this cause on February 27, 1920, which perpetually enjoins and restrains Armour from dealing in products or commodities listed therein. The petition alleges that General Host is engaged in businesses dealing in certain of those products or commodities; that it has already acquired 16.5% of the outstanding shares of common stock of Armour; that it will presently make an offer to acquire the common stock of Armour; that control of Armour by General Host is imminent; and that control of Armour by General Host will result in violation of the Decree by causing Armour to be engaged in activities prohibited by the Decree.

The petition prays that General Host be enjoined and restrained from acquiring additional shares of stock in Armour and from taking any action to exercise control over or to influence the business affairs of Armour.

This affidavit is based on information furnished the Department of Justice by General Host and from public sources.

1. Paragraph Fourth of the Decree entered on February 27, 1920, in Equity No. 37623, *United States v. Swift and Company, et al.*, perpetually enjoins and restrains the corporate defendants, including Armour, from engaging in or carrying on "the manufacturing, jobbing, selling, transporting (except as common carriers), distributing, or otherwise dealing in" the following products and commodities, among others:

Canned fish including herring, salmon, sardines, shrimp and tuna fish.

Fresh, dried, or canned vegetables including asparagus, navy and lima beans, peas, beets, corn, okra, potatoes, tomatoes, celery, garlic, horse-radish, and pumpkin.

Fresh, crushed, dried, evaporated, or canned fruits including the following: cherries, apricots, peaches, oranges, strawberries, apples, prunes, raisins, and dates.

Soft drinks including: apple cider, Coca-cola, ginger ale, root beer, and vanilla, orange, and lemon extract.

Molasses, honey, jams, jellies, and preserves of all kinds.

Spices, relishes, and sauces including catsup, cinnamon, mustard, olives, peppers, and pickles.

Coffee, tea, chocolate, and cocoa.

Almonds, pecans, and walnuts, but not including peanuts.

Flour, sugar, and rice.

Bread, wafers, crackers, and biscuits.

Cereals including grits, oats, buckwheat, cornflakes, and 24 other items.

Grain.

Miscellaneous articles, including cigars and starch.
Grape juice.

Paragraph Fourth further perpetually enjoins and restrains Armour from owning any capital stock or other interest in any concern which deals in any way in any of the above products.

2. Armour is also perpetually enjoined, by Paragraph Sixth, from operating or conducting any retail meat markets, unless operated for the accommodation of its own employees; and, by Paragraph Eighth, from dealing in, or owning any interest in a corporation which deals in, fresh milk and cream.

3. General Host Corporation was incorporated as General Baking Company under the laws of the State of New York in 1911. The present name was adopted in April, 1967. In 1967 it had total sales in excess of \$155,-241,000 and total assets of \$62,154,000. Three of the company's divisions manufacture and sell complete lines of baked goods, another division makes and sells candy, and another operates convenience food stores. Through two wholly-owned subsidiaries, the company operates restaurants and other facilities in two national parks. All of these operations involve manufacturing, selling, distributing, or otherwise dealing in many of the products which the Decree forbids to Armour.

4. Bond Baking Company, Eddy Bakeries Company, and Van de Kamp's divisions of General Host manufacture and sell a complete line of baked goods, including bread, rolls, cakes, pies, sweet goods, cookies, doughnuts, and miscellaneous bakery products. Bond and Eddy products are sold principally at wholesale. Van de Kamp's products are distributed primarily through retail installations in supermarkets. In addition to bakery goods, Van de Kamp's also processes and sells frozen food specialty items and operates coffee shops and restaurants. Vernell's makes and sells candy and crackers.

5. Li'l General Stores division operates 380 convenience food stores. These are small, self-service markets primarily handling rapid turnover items needed by housewives between major trips to supermarkets. Principal

sales include cold beverages, dairy products, and bread. This division also operates some drive-in dairy stores in Florida and engages in wholesale produce distribution on the west coast of Florida.

6. The wholly-owned subsidiaries are Yellowstone Park Company and Everglades Park Co., Inc. These companies operate under long-term concession contracts with the U. S. National Park Service. Yellowstone Park Company operates hotels, inns, lodges, restaurants, and other facilities in Yellowstone National Park, Wyoming. Its restaurant facilities have a total seating capacity of 2,867 persons. Everglades Park Co., Inc., operates overnight accommodations and food, beverage, and other facilities in Everglades National Park in Florida. Its restaurant facilities have a maximum seating capacity for 265 persons.

7. General Host's Frontier West division owns land in the West, which it intends to develop as a tourism project; completed facilities at one of its locations in Arizona include a restaurant. Frontier West also operates a restaurant in New Mexico. General Host has agreed to acquire Utah Parks Company, which operates hotels, inns, lodges, restaurants, and other facilities in three national parks in the region of the Arizona-Utah border.

8. General Host is engaged in a program to acquire control of Armour. In August 1968 it purchased from Gulf & Western Industries, Inc., 150,000 shares of common stock of Armour held by Gulf & Western and obtained an option to purchase an additional 600,000 shares of Armour stock from Gulf & Western. It exercised this option on October 15, 1968. Since that date it has purchased additional Armour stock on the open market. It now holds 1,002,500 shares and is the largest single holder of Armour common stock.

9. General Host's holdings constitute approximately 16.5% of the total shares of Armour common stock outstanding. Armour management interests directly or indirectly own approximately 10%.

10. On January 20, 1969, General Host's shareholders authorized an exchange offer to the holders of the com-

mon stock of Armour. Pursuant to that offer General Host may accept all shares of Armour common stock tendered to it.

11. The annual meeting of shareholders of Armour is scheduled for February 21, 1969.

EDNA LINGREEN

JA 805 a

PLAINTIFF'S EXHIBIT 21(F) :

FINDINGS OF FACT AND JUDGMENT; ORDER OF
JUDGMENT

D/Hffs' 2/[F]

JA 806

147

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

[Caption Omitted in Printing]

FINDINGS OF FACT

1. General Host Corporation was incorporated under the laws of New York in 1911 as the General Baking Company and adopted its present name in April, 1967. Its headquarters are located in New York, New York.

2. General Host through its divisions and wholly-owned subsidiaries, engages in the manufacture and sale of several types of food products, including bread, crackers, candy and frozen convenience foods. In addition, it operates coffee shops and restaurants in the Los Angeles, California area; operates inns, lodges, restaurants and other facilities in Yellowstone National Park and Everglades National Park; and operates approximately 380 convenience stores. (Government Petition, paragraph 4.)

3. On February 27, 1920, a consent decree was entered in this case against 125 defendants: the so-called "Big Five" of the meat packing industry, including Armour & Co., 80 corporate subsidiaries and 50 individuals.

4. Paragraph fourth of the decree, upon which the Government now relies, enjoined "the corporation defendants and each of them . . ., either directly or indirectly, by themselves, or through their officers, directors, agents, or servants [from] engaging in or carrying on, either by concert of action or otherwise . . ." the manufacturing, jobbing, selling, transporting, distributing or otherwise dealing in certain specified products or commodities, including bread, wafers, crackers and biscuits. The decree also enjoined the defendants from owning stock in any corporation engaged in the operations of the designated businesses. Paragraph fourth makes no reference to the interests or operations of non-defendant stockholders of the corporate defendants.

5. General Host Corporation was not a party to the action, did not consent to the decree, and at the time of

the decree, did not own stock in Armour & Co. General Host is not alleged to have participated in any violations of the antitrust laws charged in this action.

6. In August, 1968, General Host acquired from Gulf & Western Industries, Inc., 150,000 shares of common stock of Armour. In October, 1968, General Host acquired an additional 600,000 shares of Armour common stock from Gulf & Western Industries, Inc., and in November and December purchased an additional 252,500 shares on the open market. General Host's present holdings of Armour common stock represent approximately 16.5% of Armour's outstanding shares. (Government Petition, paragraphs 5-6.)

7. General Host's present holdings of Armour stock do not give it control of Armour and are sufficient only to enable it to obtain one and possibly two positions on Armour's seventeen man Board of Directors. (Ashton Affidavit, paragraph 7.)

8. On January 20, 1969, the shareholders of General Host authorized an offer to be made to the holders of the common stock of Armour whereby General Host would exchange a combination of General Host debentures and warrants for Armour common stock. The company plans to institute the exchange offer on or after January 28, 1969. (Ashton Affidavit, paragraph 9.)

9. General Host's objective in proposing its exchange offer is to obtain a majority of the outstanding shares of Armour voting stock. A condition of the exchange offer is that General Host will reject all Armour shares tendered unless sufficient shares are tendered to increase General Host's percentage holdings of outstanding Armour voting stock to an amount in excess of 50%. (Ashton Affidavit, paragraphs 8-9.)

10. Armour's Certificate of Incorporation and By-Laws provide that the Board of Directors shall consist of 17 persons, divided into 3 classes, groups of 6 and 5 being elected in successive years, sometimes referred to as a staggered Board of Directors. Each Armour director has a 3 year term of office. 6 directors are due to be elected in 1969, 5 in 1970, and 6 in 1971. (Ashton Affidavit, paragraphs 10-13.)

11. Only 6 of Armour's present 17 directors are standing for election at the forthcoming 1969 Annual Meeting. Therefore, even if every presently outstanding share of Armour stock were tendered to General Host, it does not appear presently possible for General Host to elect more than 6 directors out of 17 at the 1969 Annual Meeting. (Ashton Affidavit, paragraphs 10-13.)

12. The Armour By-Laws also provide for cumulative voting. Thus, it is unlikely that General Host's exchange offer will result in the acquisition of sufficient voting shares to enable it to elect more than 4 or 5 directors at the 1969 Annual Meeting. (Ashton Affidavit, paragraphs 11-13.)

13. Armour's By-Laws also provide for an Executive Committee which is elected by the directors and which presently consists of 11 of the 17 directors, including the Chairman and the President. This Executive Committee may exercise most of the powers of the Board of Directors in the management of the business affairs of Armour. Thus, even if General Host were to elect 6 directors at the 1969 Annual Meeting, it could be foreclosed from any representation on the Executive Committee of the Board. (Ashton Affidavit, paragraphs 13-14.)

14. So long as the present management retains a majority position on the Board of Directors and the Executive Committee, the present management may continue to control the operations of Armour.

15. The present exchange offer will not result in any merger or consolidation of General Host and Armour. Specific approval of a merger or consolidation is required by a two-thirds vote of the stockholders of both corporations. The vote must be taken pursuant to notice and meeting of stockholders in accordance with New York and Delaware law. No steps have been instituted to seek such approval. (Ashton Affidavit, paragraph 15.)

16. An injunction against the proposed exchange offer would cause irreparable injury to General Host Corporation. (Ashton Affidavit, paragraphs 18-24.)

17. Armour filed, but later withdrew, a petition in this court seeking to enjoin General Host's purchase of stock from Armour shareholders. Armour has appeared

at the hearing of this petition in support of the position of the Government. (Transcript, pp. 6-8; 21-25.)

18. Armour's present management has vigorously opposed General Host's proposed exchange offer; has proposed acquisition of other corporations in exchange for Armour common stock which would have the effect of diluting General Host's stock interest; has sought to interfere with General Host's relations with banks; and has placed full page advertisements in various newspapers criticizing the proposed exchange transaction. (Ashton Affidavit, paragraphs 18-24.)

19. The Government contends that because Armour is prohibited from engaging in the food businesses listed in the decree, control of Armour by a company engaged in one or more of those businesses would also violate the decree.

20. The decree has not been construed to limit the business activities of non-defendant Armour stockholders nor to charge Armour with engaging in the businesses in which its controlling stockholders are engaged.

21. The interpretation of the decree for which the Government contends goes beyond the plain language of the decree. It cannot be considered a logical extension of the decree.

22. The equity bill which commenced this proceeding and the decree are summarized in *United States v. Swift & Co., et al.*, 189 F.Supp. 885 (N.D. Ill. 1960).

23. The consent decree was obviously the product, in principal part, of extensive negotiation between the defendants and the Government and is a detailed and carefully worded decree.

24. The principal reason for the provisions in issue was to restrict the corporate defendants in the use of the vast power they had acquired to extend their power into other markets. The situation which the Government challenges here, however, is substantially different from that with which the 1920 decree was concerned. General Host is not a large meat packer extending its monopolistic grasp toward the rest of the food industry and through the use of its already established distributing facilities, superior financial resources and other means

making a dominant position felt, resulting in a restraint of trade by squeezing out present or potential competitors. Rather, General Host, a wholly separate corporate entity, has acquired some shares of Armour stock and evinced an interest in acquiring additional shares.

25. The theory of the Government's petition is that paragraph fourth of the decree, which enjoins Armour and the other corporate defendants from engaging in or carrying on the manufacturing, et cetera, of the listed products and commodities and from owning stock in a corporation so engaged, also prohibits Armour's controlling stockholders from so engaging in business in the listed commodities. (Transcript, pp. 13-18.)

26. Paragraph fourth of the decree expressly applies only to the "corporation defendants". The portions of the decree relied upon by the Government do not restrain the activities or interests of non-defendant stockholders of the corporate defendants.

27. The omission of stockholders or successors and assigns from the reach of paragraph fourth evidences an intent that only the corporate defendants and those acting on their behalf be enjoined by that paragraph.

CONCLUSIONS OF LAW

1. The 1920 decree does not prohibit non-defendant owners of stock in meat packing companies from engaging in businesses prohibited to the meat packers themselves by the decree.

2. General Host is neither a party, privy to a party, nor in active concert or participation with a party to the consent decree entered in this case in 1920 and, therefore, is not bound by its provisions.

3. General Host is not charged with violation of the antitrust laws nor with participation in the offenses charged by the 1920 Bill in Equity which commenced this proceeding.

4. The 1920 decree does not prohibit control of Armour & Co. by General Host.

5. No violation of the 1920 decree is threatened or imminent.

6. The petition for injunction does not set forth any grounds upon which relief could be granted against General Host Corporation in this case.

7. The ends of justice do not merit that General Host Corporation be made a party to this action pursuant to 15 U.S.C. § 5.

Dated this 30th day of January, 1969.

ENTER:

/s/ Julius J. Hoffman
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

Civil Action No. 58 C 613

[Entered Jan. 30, 1969]

UNITED STATES OF AMERICA, PETITIONER

v.

SWIFT AND COMPANY, ET AL., DEFENDANTS

JUDGMENT ORDER

After full hearing of the petition for injunction filed by the Government in this proceeding on January 20, 1969, and upon consideration of the petition, the memoranda and affidavits in support of and in opposition to the petition, the record of the hearing held on January 21, 1969, and the findings of fact and conclusions of law heretofore adopted by this court, it is this 30th day of January, 1969.

ORDERED that the Government's request that summons be issued pursuant to 15 U.S.C. § 5 commanding General Host Corporation to appear and answer the allegations contained in the petition is denied; and it is

FURTHERED ORDERED that the Government's requests for a temporary restraining order and an injunction against General Host Corporation are denied; and it is

FURTHER ORDERED that the Government's petition for injunction is denied.

ENTER:

/s/ Julius J. Hoffman
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
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FURTHER ORDERED that the Government's petition for injunction is denied.

ENTER:

/s/ Julius J. Hoffman
United States District Judge

JA 813a

PLAINTIFF'S EXHIBIT NO. 8 :

CONFIDENTIAL REPORT (cover and pp. 125-129)

Original of Exhibit 8

JA 814

Plaintiff's Exhibit 8

Ex 1 1/10/71

NAME _____

COPY NO. 14

SEC AND EXCH COMM
N.Y. REGIONAL OFFICE
RECEIVED
APR 23 1969

*Primer Exhibit J
Sutton Ex. H*

CORPORATE REGULATION

KLEINER EXHIBITS

CONFIDENTIAL REPORT
ON
ARMOUR AND COMPANY

DX C 6/15/69

Comm. Ex. 1/10/69

Confidential Exhibit U

SEC AND EXCH COMM
N.Y. REGIONAL OFFICE
RECEIVED
APR 23 1969
CORPORATE REGULATION

III
4/25/69

OCT 1968 1969

D. B. Jones
5/17/68
P.R.

GENERAL INVESTMENT
CORPORATION

L

the New York Stock Exchange requires that the record date be made public ten days before its occurrence.

Special Meeting of Stockholders

Pursuant to Armour's By-Laws, special meetings of stockholders may be held for any purpose at such time or place as shall be stated in the notice of meeting. Special meetings may be called by the Chairman, the President or the Board of Directors. Stockholders do not have the right to call a special meeting. The advance notification of the record date required in the case of annual meetings is also required in the case of special meetings, except that Delaware law specifies twenty days' minimum notice of a special meeting called to consider a merger.

Election of Directors

(P) [The Board of Directors has seventeen members divided into three classes. Each director has a three year term of office. Six directors come due for election in 1969, five in 1970 and six in 1971. Voting for directors need not be by ballot.

Voting for directors is cumulative pursuant to the Certificate of Incorporation and By-Laws. To determine the minimum number of shares needed to insure a given number of directors the following formula may be used:

$$x = \frac{36}{b+1} + 1$$

x = minimum number of shares required,
assuming that all outstanding shares
are voted

a = total shares

c = number of directors desired to elect

b = number of directors to be elected

Assuming all outstanding shares are voted, the following
numbers of shares would be needed to elect the following numbers of
directors in 1969:

<u>Number of Directors</u>	<u>Shares Needed</u>
1	854,259
2	1,728,513
3	2,592,769
4	3,457,024
5	4,321,280
6	5,185,536

Meetings of Directors

Article IV, Section 2 of the By-Laws requires that an
annual meeting of the Board of Directors be held immediately follow-
ing the annual meeting of stockholders except as otherwise deter-
mined by resolution. Stated meetings of the Board of Directors,
pursuant to the same section, are held as determined from time to
time by resolution of the Board of Directors. Annual and stated
meetings may be held without any notice.

Special meetings of the Board of Directors may be called
by the Chairman, the Vice Chairman or the President and shall be

called by the Chairman, the Vice Chairman, the President or the Secretary upon the written request of two directors. Two days' notice of special meetings is required.

Executive Committee

The By-Laws permit an Executive Committee of from two to eleven directors including the Chairman and the President which, in general, may exercise most of the powers of the Board of Directors in the management of the business and affairs of the Corporation. There apparently is a 10 man Executive Committee, but the resolution establishing it is not a public document.

Chairman and President

The Chairman of the Board of Directors is the Chief Executive Officer of the Corporation. William Wood Prince is Chairman and Charles R. Oren is President.

Adoption of a Resolution Concerning Merger

Section 252 of the Delaware General Corporation Law governs the merger or consolidation of a domestic and a foreign corporation. Section 252(c) requires that merger agreements shall be adopted, approved, ratified, executed and acknowledged by a Delaware corporation in accordance with Section 251 of the General Corporation Law and by a foreign corporation in accordance with the laws of the jurisdiction under which it is formed. Section 251(b) of the Delaware General Corporation Law provides that the

Board of Directors shall adopt a resolution approving an agreement of merger or consolidation. The resolution of merger would need to be approved by a majority of a quorum of directors before it could be submitted to the stockholders.

Section 251(c) of the Delaware General Corporation Law requires that the merger agreement must receive the affirmative vote of two-thirds of the total number of outstanding shares of the Common and Preferred Stock, voting as classes, of the Delaware corporation.

Stockholders do not have a right to initiate a merger vote.]

Amendment of Articles of Incorporation

Section 242 of the Delaware General Corporation Law requires the Board of Directors to adopt a resolution setting forth the proposed amendment, declaring its advisability and calling a special meeting of the stockholders entitled to vote on the amendment to consider it or directing that the proposed amendment be considered at the next annual stockholders meeting. Section 242(d)(1) states that at the meeting a vote of stockholders entitled to vote shall be taken by ballot for or against the proposed amendment. The proposed amendment must be favorably acted upon by the majority of the stock entitled to vote (or each class of stock when such vote is to be taken by classes).

Stockholders do not have a right to require the Board of Directors to initiate an amendment to the Certificate of Incorporation.

Amendment of By-Laws

Section 109 of the Delaware General Corporation Law provides that the power to amend By-Laws shall be in the stockholders; this Section also provides, however, that the corporation may in its Certificate of Incorporation confer that power upon the directors. The Armour Certificate of Incorporation gives that power to the Board of Directors.

It is not clear (a) whether the Armour Certificate of Incorporation could be construed to purport to take all power to amend By-Laws away from stockholders, and (b) whether, if so construed, the Certificate of Incorporation would be in compliance with Delaware law. Armour may be expected to contend that the By-Laws may be amended only by its directors and not by its stockholders. While the answer to the question is not clear, however, preliminary review indicates that there is a substantial likelihood that action taken by a majority of the stockholders at an annual meeting to amend the By-Laws to, for instance, increase the number of Armour directors would be held to be binding upon the Corporation.

JA 819a

PLAINTIFF'S EXHIBIT NO. 23:

GENERAL HOST CORPORATION PROSPECTUS, DATED
JANUARY 30, 1969

General Host Corporation

\$347,040,000 7% Subordinated Debentures due February 1, 1994

**14,460,000 Warrants Expiring January 31, 1979, to Purchase
General Host Common Stock at \$40 per share**

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

General Host Corporation ("General Host", "General" or the "Company") hereby offers upon the terms set forth herein under "The Exchange Offer", to exchange General Host 7% Subordinated Debentures due February 1, 1994 ("Debentures"), and General Host Warrants expiring January 31, 1979 to purchase General Host Common Stock at \$40 per share ("Warrants") for any or all of the outstanding Common Stock of Armour and Company ("Armour") and any or all of the outstanding 4½% Convertible Subordinated Debentures of Armour ("Armour Debentures") tendered in accordance with this Exchange Offer, in the ratio of

**\$60 principal amount of Debentures
and**

2½ Warrants

**(each warrant to purchase one share of General Common Stock)
for**

each share of Armour Common Stock

**(or for the principal amount of Armour Debentures (presently
\$51.14) required upon conversion to obtain one share of
Armour Common Stock)**

General Host will not accept any tendered Armour securities unless upon acceptance of all tendered securities it would own more than 50% of the then outstanding Armour Common Stock, assuming conversion of all tendered Armour Debentures. General Host presently owns approximately 16.5% of the outstanding shares of Armour Common Stock.

If General Host accepts any Armour share or Armour Debenture tendered, it will accept all Armour shares and Debentures tendered. With respect to all shares and debentures tendered prior to the date at which the 50% figure is reached, General Host Debentures and Warrants will be delivered on the date such 50% figure is reached or as soon thereafter as is practicable. General Host Debentures and Warrants will be delivered daily, as soon as practicable, as shares and debentures are tendered thereafter.

The Exchange Offer expires 8:00 o'clock P.M., New York time, on February 14, 1969, unless extended by General Host. All tenders of Armour securities are irrevocable until the earlier of the Expiration Date or March 31, 1969.

Securityholders of Armour who wish to accept this Exchange Offer should send the certificates for the Armour Common Stock or Armour Debentures they wish to exchange, together with the appropriate Letter of Tender and Proxy accompanying this Prospectus, to one of the Exchange Agents or Forwarding Agents.

Allen & Company Incorporated and Kleiner, Bell & Co., Incorporated, as Dealer Managers, have agreed to solicit tenders of Armour Common Stock pursuant to this Exchange Offer. See "Solicitation of Tenders" under "The Exchange Offer". General Host has agreed to pay the Dealer Managers 40¢ for each tendered and accepted share of Armour Common Stock and for each share into which a tendered and accepted Armour Debenture could be converted. In addition, Dealers (who may include the Dealer Managers) who are named by tendering Armour securityholders will be paid \$1.00 for each tendered and accepted share of Armour Common Stock and each share into which a tendered and accepted Armour Debenture could be converted. It is estimated that other expenses of General Host in connection with the Exchange Offer may approximate \$900,000. If all holders of Armour Common Stock and Armour Debentures accept the Exchange Offer, total fees and expenses payable by General Host would approximate \$9,000,000.

On January 28, 1969 the last reported sale price for General Host Common Stock on the New York Stock Exchange was \$39.63 per share, and the last reported sale price for Armour Common Stock on the New York Stock Exchange was \$65.00 per share.

ALLEN & COMPANY

INCORPORATED

KLEINER, BELL & CO.,

INCORPORATED

The date of this Prospectus is January 30, 1969.

No person has been authorized to give any information or to make any representation not contained in this Prospectus, in connection with offers made by this Prospectus; and any information or representation not contained herein must not be relied upon as having been authorized by General Host or any Dealer. This Prospectus does not constitute an offer of the securities to which it relates in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. Neither the delivery of this Prospectus nor any exchange made hereunder shall under any circumstances create an implication that there has been no change in the affairs of General Host or Armour since the date hereof.

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IN CONNECTION WITH THIS OFFERING, THE DEALER-MANAGERS OR GENERAL MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE DEBENTURES, WARRANTS AND COMMON SHARES OF GENERAL AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED, IN THE CASE OF GENERAL'S COMMON SHARES, ON THE NEW YORK AND PACIFIC COAST STOCK EXCHANGES OR OTHERWISE, IN THE CASE OF GENERAL'S WARRANTS, ON A WHEN-ISSUED BASIS AND AFTER ISSUANCE IN THE OVER-THE-COUNTER MARKET UNLESS AND UNTIL LISTED ON THE AMERICAN STOCK EXCHANGE AND THE PACIFIC COAST STOCK EXCHANGE AND THEREAFTER ON SUCH EXCHANGES, AND, IN THE CASE OF GENERAL'S DEBENTURES, ON A WHEN-ISSUED BASIS AND AFTER ISSUANCE IN THE OVER-THE-COUNTER MARKET UNLESS AND UNTIL LISTED ON THE NEW YORK STOCK EXCHANGE AND THE PACIFIC COAST STOCK EXCHANGE AND THEREAFTER ON SUCH EXCHANGES. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

GENERAL HOST CORPORATION

General Host Corporation was incorporated as General Baking Company under the laws of the State of New York in 1911. The present name was adopted in April, 1967. The Company's principal executive offices are located at 245 Park Avenue in New York City.

Three of the Company's divisions, "Van de Kamp's" on the West Coast, "Bond" in the East and parts of the Midwest and "Eddy" in the Northwest, manufacture and sell complete lines of baked goods, including bread, rolls, cakes, pies, sweet goods, cookies, doughnuts and miscellaneous bakery products. Van de Kamp's also processes and sells frozen convenience foods and specialty items and operates coffee shops and restaurants. Another division, "Vernell's", manufactures candy which is sold throughout the country. See "Food Production and Processing Operations".

The Company's "Li'l General" division operates convenience stores, small self-service extended hour grocery stores, primarily in the South and Southeast. See "Convenience Store Operations".

Two wholly-owned subsidiaries, Yellowstone Park Company and Everglades Park Co., Inc., operate inns, lodges, restaurants, gasoline service stations and recreational facilities at Yellowstone National Park in Wyoming and Everglades National Park in Florida, respectively. Both companies operate under long-term concession contracts with the U. S. National Park Service.

Terms and Conditions

THE EXCHANGE OFFER

General Host hereby offers to exchange General Host 7% Subordinated Debentures due February 1, 1994 ("Debentures") and General Host Warrants expiring January 31, 1979 to purchase General Host Common Stock at \$40 per share ("Warrants") for all of the outstanding shares of Armour Common Stock and Armour Debentures tendered in accordance with this Exchange Offer in the ratio of

\$60 PRINCIPAL AMOUNT OF 7% DEBENTURES AND 2½ WARRANTS, EACH
WARRANT TO PURCHASE ONE SHARE OF GENERAL COMMON STOCK,
IN EXCHANGE FOR
EACH SHARE OF ARMOUR COMMON STOCK
OR IN EXCHANGE FOR
THE PRINCIPAL AMOUNT OF ARMOUR DEBENTURES (PRESENTLY \$51.14)
REQUIRED UPON CONVERSION TO OBTAIN ONE SHARE OF ARMOUR
COMMON STOCK.

General Host will not accept any tendered Armour securities unless upon acceptance of all tendered securities it would own more than 50% of the then outstanding Armour Common Stock, assuming conversion of all tendered Armour Debentures. General Host presently owns approximately 16.5% of the outstanding shares of Armour Common Stock.

If General Host accepts any Armour share or Armour Debenture tendered, it will accept all Armour shares and Debentures tendered.

The principal amount of General Host Debentures may be applied in payment of the exercise price of the Warrants, regardless of the then market value of the Debentures.

A meeting of shareholders of General Host approved the Exchange Offer on January 20, 1969.

The Company has applied for listing of the Debentures on the New York Stock Exchange and Pacific Coast Stock Exchange, and the Warrants on the American Stock Exchange and the Pacific Coast Stock Exchange.

Tender Period and Expiration Date

The Exchange Offer will expire at 8:00 o'clock P.M., New York time, on February 14, 1969, subject to extension by General Host for a further period or periods. Any such further period will be terminable by General Host on not less than 24 hours' notice delivered to the Exchange Agents. Such

date as so extended is herein referred to as the "Expiration Date". All tenders of Armour securities are irrevocable until the earlier of the Expiration Date or March 31, 1969, and include all dividends, interest payments and other distributions the record date for which is subsequent to the date of this Prospectus, with the exception of the interest due on March 1, 1969 on the Armour Debentures.

Exchange Agents

The Exchange Agents are The First Jersey National Bank and Union Bank. All correspondence to the Exchange Agents should be addressed as follows:

The First Jersey National Bank P. O. Box 6846 Jersey City, New Jersey 07306	(hand deliveries: 1 Exchange Place Jersey City, New Jersey Window 20)
Union Bank Corporate Trust Department P. O. Box 2278 Terminal Annex Los Angeles, California 90054	(hand deliveries: 742 South Hill Street Los Angeles, California 10th Floor)

Forwarding Agents

The Forwarding Agents are:

Republic National Bank of Dallas Republic National Bank Building Pacific at Ervay Streets Dallas, Texas 6th Floor	Boston Safe Deposit and Trust Company 100 Franklin Street Boston, Massachusetts 4th Floor
Girard Trust Bank 1421 Chestnut Street Philadelphia, Pennsylvania 10th Floor	Bank of the Commonwealth Michigan Shelby Office Stock Transfer Department Detroit, Michigan 2nd Floor
Crocker Citizens National Bank 1 Montgomery Street San Francisco, California 8th Floor	

Obligation to Purchase All Armour Securities

General Host will irrevocably accept and will be deemed to have accepted all tendered shares of Armour Common Stock and all tendered Armour Debentures as of the later of (a) the date upon which the Exchange Agents certify that sufficient Armour securities have been tendered so that General Host would upon acceptance of tendered securities, own more than 50% of the outstanding Armour shares if the tendered Armour Debentures were converted, or (b) the date of receipt of the Letter of Tender or an appropriate telegram or letter of guaranty by an Exchange Agent or Forwarding Agent, provided that such agent determines that the documentation with respect to such shares is complete or that General Host has waived any defects.

Fractional Interests of Armour Stockholders

Debentures will be issued to tendering Armour stockholders in multiples of \$60 principal amount, so no fractions of Debentures will be involved. A certificate in bearer form for one-half of a Warrant will be issued to each Armour stockholder who tenders an odd number of shares of Armour Common Stock. These half Warrants will be exercisable only in pairs, but will otherwise have the same terms and conditions as full Warrants. Two half Warrants may be exchanged at any time for a full Warrant.

Fractional Interests of Armour Debenture Holders

No Debenture having a principal amount of less than \$100, and no fractional Warrant, will be issued to any holder of Armour Debentures. Instead, each Armour debentureholder who accepts the Exchange Offer will thereby be deemed to have irrevocably appointed the Exchange Agents his agents to deal

with his fractional interests, if any. By indicating upon his Letter of Tender his desire to buy that additional fraction of a Debenture which will entitle him to a Debenture having a principal amount of \$100 or a multiple thereof, and by indicating upon such letter his desire to buy such additional fraction of a Warrant as will entitle him to a full Warrant or to sell the fraction of a Debenture or of a Warrant to which he is entitled, the debentureholder may have the appropriate fraction sold or bought for him. If no request for the purchase or sale of a fractional interest is received by an Exchange Agent, the debentureholder will be deemed to have elected to sell any such fractional interest. Fractional interests purchase and sale orders will be effected as soon as practicable from time to time on the basis of prevailing market prices. If the debentureholder elects to sell any fractional interest, the sale price thereof will be remitted to him by check promptly after sale by an Exchange Agent. If he elects to buy a fractional interest, an Exchange Agent will bill him for the purchase price thereof and, upon receipt of such purchase price, a certificate for a Debenture in the amount of \$100 or a multiple thereof and/or a certificate for a full Warrant will be issued to the Exchange Agent as agent for the debentureholder. If a debentureholder who elects to purchase a fractional interest fails to remit the purchase price thereof to the Exchange Agent within thirty days after being billed, the Exchange Agent may sell such fractional interest for the account of the debentureholder. All expenses payable in connection with such purchases or sales of fractional interests of holders of Armour Debentures will be borne by General Host.

Delivery of Debentures and Warrants

With respect to all Armour securities tendered prior to the date upon which General Host becomes obligated to accept all tendered securities, General Host Debentures and Warrants will be delivered on the date of such approval or as soon as practicable thereafter. As Armour securities are tendered from time to time after such date, General Host Debentures and Warrants will be delivered as soon as practicable on a daily basis. However, in the case of tenders by telegram or letter of guarantee, General Host Debentures and Warrants will be delivered as soon as practicable after the Letters of Tender and Proxy and tendered certificates relating to such guarantees have been received by an Exchange Agent. If General Host Warrants or Debentures issued in respect of purchased fractional interests are not immediately available for delivery, such Warrants and Debentures will be mailed separately as soon as they are available, but the remaining General Host Debentures and Warrants to which Armour securityholders are entitled will be delivered on the basis set forth above.

In order to expedite delivery, each tendering Armour securityholder will receive as soon as possible after his delivery of Armour securities and acceptance by General Host one General Host Debenture in a denomination representing the aggregate principal amount, one General Host Warrant in a denomination representing the whole number of Warrants, and, where needed, a bearer certificate for one-half of a Warrant to which he is entitled under the Exchange Offer; except that, with respect to holders of Armour Debentures, a \$100 Debenture and/or a single Warrant which may be due in accordance with purchase instructions respecting fractional interests will be delivered thereafter, as soon as possible after such purchase has been effected and paid for.

Interest

All Debentures will be dated as of March 1, 1969 and will bear interest from such date. A cash payment in lieu of interest will be paid to tendering stockholders from the date of receipt by an Exchange Agent of tendered certificates (or of a guarantee of future delivery of certificates) to March 1, 1969. Tendering holders of Armour Debentures will receive no cash payment in lieu of interest but will remain entitled to receive interest through March 1, 1969 on the Armour Debentures.

Methods of Tendering Securities

Security holders of Armour may tender their securities by completing and signing the appropriate Letter of Tender accompanying this Prospectus and delivering such Letter of Tender, together with their certificates, to an Exchange Agent or Forwarding Agent on or prior to the Expiration Date. Insured registered mail, return receipt requested, is recommended if the mails are used. **Letters of Tender and securities should not be delivered to General Host.** Securities will also be deemed properly tendered if (a) prior to the Expiration Date, an Exchange Agent shall have received from a commercial bank or trust company in the continental United States, or a member firm of any registered national securities

exchange or member of the National Association of Securities Dealers, Inc., a letter or telegram giving the name of the tendering holder, the amount of securities tendered, and guaranteeing that the securities will be delivered to such Agent within eight business days after notice of acceptance of such tendered securities, and that such securities will be accompanied by a properly executed Letter of Tender relating to such securities (in which case, subject to subsequent compliance with clause (b) below, the securities to which the letter or telegram relates shall be deemed properly tendered as of the date of receipt of the letter or telegram); and (b) such Agent shall have in fact received the Letter of Tender and tendered certificate or certificates within eight business days after notice of acceptance of the tendered securities.

Tendered Securities

No variation in the terms of the Exchange Offer is presently contemplated. However, circumstances may arise under which the terms or conditions of the Exchange Offer may be increased or otherwise varied during the tender period or any extension thereof, provided that no such variation may result in any reduction in the amounts or terms of Warrants and Debentures offered in exchange for each share of Armour stock or Armour Debentures. Among the factors that might have a bearing on any decision to vary the terms or conditions of the Exchange Offer would be changes in market conditions and further competitive bids for Armour stock, neither being presently predictable. In the event that Armour changes its business structure through the spin-off of assets or subsidiaries or similar actions, the Exchange Offer may be modified and other exchange offers may be made in respect of such spun-off assets or subsidiaries. If for any reason the terms of the offer should be increased, the terms of this Exchange Offer will be deemed amended so that all Armour holders tendering their securities pursuant to this Exchange Offer will receive any such increase, whether tendering before or after any such increase.

Any irregularities in connection with the tender of shares must be cured within such time as General Host shall determine, unless waived by General Host in its sole discretion. All tendered securities which are not in acceptable form for tender will be returned, without cost, by the Exchange Agents or Forwarding Agents to the appropriate tendering securityholder as soon as practicable.

The Letter of Tender applicable to Armour common stock contains an irrevocable proxy in favor of General Host's nominees authorizing the voting, at any annual or special meeting of Armour stockholders, of tendered shares which are accepted prior to the date of such meeting. The Letters of Tender applicable both to Armour stock and Armour Debentures also contain irrevocable special powers of attorney to receive all future dividends or interest payments and other rights and benefits and to execute from time to time one or more further powers of attorney or proxies in favor of a nominee or nominees of General Host. Such proxies and powers of attorney are solely for the purpose of vesting General Host with the full benefits of beneficial ownership of tendered and accepted Armour securities pending the recording of the transfer of such securities on the books of Armour.

Solicitation of Tenders

Allen & Company Incorporated and Kleiner, Bell & Co., Incorporated, as Dealer Managers, have entered into an agreement with General Host a copy of which is filed as an exhibit to the Registration Statement, whereby they have agreed to use their best efforts to make arrangements for dealers who are members of the National Association of Securities Dealers, Inc. ("NASD") foreign dealers who comply with the rules and regulations of the NASD, or members of a national securities exchange, including themselves, to solicit exchanges pursuant to the Exchange Offer. As compensation for such services, General Host will pay to the Dealer Managers a fee of 40¢ for each share of Armour Common Stock tendered or each share of Armour Common Stock into which a tendered Armour Debenture could be converted in accordance with the Exchange Offer, to be shared equally between them. No fees will be paid with respect to shares tendered after the Expiration Date. In addition, The Kissel-Blake Organization, Inc. and D. F. King & Co., Inc. have been retained to assist in the solicitation of tenders.

Soliciting Dealers, including the Dealer Managers, when they act as such, but not including The Kissel-Blake Organization, Inc., or D. F. King & Co., Inc. will receive a fee of \$1.00 for each share of Armour Common Stock tendered or each share of Armour Common Stock into which a tendered Armour

Debenture could be converted in accordance with the Exchange Offer, but only if, with the approval of the tendering securityholder, the name of such Dealer has been inserted in a duly executed Letter of Tender in recognition of the Dealer's services in effectuating the exchange and if such fee, in the opinion of General Host's counsel, may legally be paid. No fees will be paid to Soliciting Dealers if the Exchange Offer is not consummated.

Although they do not so intend, or intend to represent, the Dealer Managers and other dealers, including The Kissel-Blake Organization, Inc. and D. F. King & Co., Inc. may be deemed to be underwriters within the meaning of the Securities Act of 1933. The Dealer Managers Agreement provides that General Host will indemnify the Dealer Managers against certain civil liabilities, including liability under the Securities Act of 1933.

Payment of Expenses

The expenses to be incurred in connection with the Exchange Offer, including the fees of the Exchange Agents, Forwarding Agents and The Kissel-Blake Organization, Inc. and D. F. King & Co., Inc. (which have been retained for aggregate estimated fees of \$40,000 to assist in the solicitation of tenders), printing, accounting and legal fees, fees for registering the Debentures and Warrants (and shares of stock issuable pursuant to the Warrants) under Federal and state securities laws, stock transfer taxes, and miscellaneous other items, will be paid by General Host. Such expenses cannot be estimated with accuracy because of the variable factors involved; however, if all shares of Armour Common Stock and all Armour Debentures were tendered, it is estimated that such expenses may be approximately \$900,000. In addition General Host has agreed to pay the fees and expenses of the Dealer Managers and Soliciting Dealers as set forth above under "Solicitation of Tenders". If all shares of Armour Common Stock and all Armour Debentures were tendered, total fees and expenses payable by General Host would approximate \$9,000,000.

Federal Income Tax Consequences to Armour Securityholders Who Tender

General Host has received an opinion from its counsel, Messrs. Lovejoy, Wasson, Lundgren & Ashton, that as to each Armour securityholder who exchanges shares of Armour Common Stock or Armour Debentures for Debentures and Warrants pursuant to the Exchange Offer:

- (a) Such Armour securityholder will realize gain or loss for Federal income tax purposes.
- (b) Gain or loss realized will be capital gain or loss if the Armour Common Stock or Debentures exchanged are capital assets in the hands of such Armour securityholder. Gain or loss will be long-term or short-term, depending on whether such securities have been held for Federal income tax purposes for more than six months. However, if, and to the extent that, the Armour Debentures were issued at an original issue discount as defined by Section 1232 of the Internal Revenue Code of 1954, part of any gain would be taxed at ordinary income tax rates. Section 1232 provides in part that where the issue price of indebtedness which is a capital asset held for more than six months is less than the amount which the issuer must pay to retire such indebtedness, the difference may be taxed as ordinary income. Such original issue discount is defined in relevant part as the difference between the stated redemption price at maturity and the price at which the issue was first sold to the public. The gain on the sale of such indebtedness, if any, which is taxable as ordinary income is computed by multiplying the original issue discount by a fraction consisting of the number of complete months the indebtedness was held over the complete months from the original issue date to the maturity date of the indebtedness. Section 1232 provides that no original issue discount will exist if the discount is less than one-quarter of one percent of the redemption price of the indebtedness at maturity, multiplied by the number of complete years to maturity.⁴
- (c) Any Armour securityholder in whose hands the Armour Common Stock or Armour Debentures are a capital asset and who realizes a gain by acceptance of the Exchange Offer may by proper election postpone the Federal income taxation of such gain by reporting the exchange on the installment basis under Section 453 of the Internal Revenue Code, if the consideration received by him on the exchange exceeds \$1,000 and the value of the Warrants received by him under the terms of the Exchange Offer in the year in which the exchange takes place does not exceed 30 per cent of the selling price under the Exchange Offer of such Armour Common Stock or Armour Debentures. Based on values at the effective date of the Exchange Offer the value of Warrants received by Armour securityholders will apparently exceed 30 per cent of the selling price under the

Exchange Offer, in which case installment basis treatment would not be available. Any Armour securityholder who elects the installment basis should report as gain in any taxable year that portion of the payments received in that year (including, in the taxable year in which the exchange occurs, the fair market value of the Warrants on the date of exchange) which the total gain bears to the total value of the selling price. If such Armour securityholder disposes of his Debentures (within the meaning of Section 453(d) of the Code), he will realize gain or loss in the taxable year of such disposition.

(d) Any Armour securityholder who cannot or does not elect to report his gain on the installment basis will realize gain or loss in the taxable year in which the exchange is made measured by the difference between (i) the fair market value of the Debentures and Warrants on the date of such exchange, and (ii) his cost or other basis for the Armour Common Stock or Armour Debentures exchanged.

Counsel has expressed no opinion with respect to the Federal income tax consequences of the Exchange Offer to Armour securityholders who are dealers in securities or are otherwise ineligible for capital gain or loss treatment or who are members of special classes of taxpayers, under special provisions of the Code. In addition, counsel has expressed no opinion with respect to the Federal income tax consequences to Armour securityholders of any original issue discount on the Debentures (see (b) above). There is no clear authority as to whether discount can exist where debentures are issued in exchange for common stock or other property rather than for cash. As noted in (b) above, no original issue discount would exist if discount is less than $\frac{1}{4}$ of 1 per cent of the redemption price of the Debentures at maturity multiplied by the number of complete years to maturity.

For further information regarding the Federal income tax consequences of the Exchange Offer, Armour securityholders are advised to consult with their own tax advisors.

Basis for Determination of the Exchange Offer

In arriving at the Exchange Offer, General Host has taken into consideration the relative financial positions and recent operating results of General Host and Armour and the businesses of each. Consideration was also given to the market values of their securities and to the \$70 offer to purchase 41% of Armour's Common Stock by The Greyhound Corporation (see page A-8 to this Prospectus). None of the Debentures or Warrants to be issued in the Exchange Offer are outstanding and therefore there is no established market for them.

In August, 1968, General Host purchased 150,000 shares of Armour stock from Gulf & Western Industries, Inc. ("Gulf & Western"), and received an option from Gulf & Western to purchase an additional 600,000 shares of Armour. General Host paid \$56 per share for the 150,000 Armour shares and issued to Gulf & Western a ten-year warrant to purchase 175,000 shares of General Host's Common Stock at \$30 per share. The number of shares subject to the warrant have since increased to 184,146 and the warrant exercise price has been reduced to \$28.51 per share pursuant to the antidilution provisions of the warrant. In October, 1968, General Host exercised its option and purchased the 600,000 shares of Armour from Gulf & Western at a price of \$60 per share. Subsequently General Host purchased an additional 252,500 shares of Armour stock in the open market at varying prices which averaged \$58.74 per share. Presently General Host owns 1,002,500 shares of Armour stock representing approximately 16.5% of the total outstanding.

Position of Armour's Present Management

The present management of Armour has announced its opposition to the Exchange Offer in newspaper advertisements, in letters to Armour stockholders, in various press releases, in letters to financial institutions, in written and oral communications with various regulatory agencies and in a lawsuit commenced on January 23, 1969 in the United States District Court for the Southern District of New York. The lawsuit (Armour and Company et al. v. General Host Corporation et al.) charges the Company, its Directors and financial officers and the Dealer Managers with various conspiracies and acts in violation of the securities laws and seeks to enjoin the making and consummation of this Exchange Offer. On January 27, 1969, Armour's application for a temporary restraining order was denied by the Court. The Court set a hearing date of February 4, 1969 on Armour's motion for a preliminary injunction against the Exchange Offer. In the opinion of counsel for the Company, there appears to be no merit to the contentions presented in this action. Additionally, on January 28, 1969, Armour petitioned the Secretary of State of Illinois to prohibit General Host from making the Exchange

Offer in the State of Illinois, and obtained from the Illinois Securities Commissioner, ex parte and in camera, a temporary order restraining the Exchange Offer from being made in Illinois pending a hearing, because of an alleged lack of soundness of the Exchange Offer. General Host was not represented at the proceedings at which the temporary order was granted, and is moving for an immediate hearing on the matter. In the opinion of counsel for the Company, there appears to be no merit to the contentions presented in this proceeding.

Antitrust Aspects

On January 21, 1969, General Host won complete dismissal of a legal action instituted the day before by the Department of Justice in the United States District Court for the Northern District of Illinois. This action had sought to enjoin General Host from proceeding with the Exchange Offer or from otherwise acquiring additional shares of Armour stock. It had been based upon the theory that a 1920 Packers' Consent Decree which resulted from an earlier lawsuit against Armour (United States v. Swift and Company, et al.) is or could be made applicable to General Host Corporation. The Federal Court rejected this theory and held that this Decree does not forbid acquisition by General Host of a controlling stock interest in Armour. Although an appeal of this decision could be made to the United States Supreme Court, the Department of Justice has not indicated whether it will appeal the decision. The decision in this case does not foreclose the Department of Justice from bringing an entirely new lawsuit based upon the general anti-trust laws. However, there has been no indication that the Department intends to bring such an action.

To resolve this matter, if any Department of Justice appeal is successful or if the Department were to succeed in some other action, the Company may find it necessary or desirable to dispose of all or a part of its currently operating businesses or all or a part of its stock in Armour. Any disposition by General of any portion of its assets would be made only to the extent that management, upon advice of legal counsel, deems appropriate in the light of any decision that may be made by the Supreme Court if the matter is reviewed by it, or, possibly, by a lower court, if some other action were to be brought by the Department of Justice. To the extent that under such possible circumstances General Host may dispose of any of its assets, the pro forma capitalization table and financial statements contained herein might not be representative of the Company's operations. While it is impossible to predict to whom, when, and at what price, favorable or unfavorable, any such possible disposition of assets may be made, or what utilization would be made of the proceeds of any such possible disposition, it is the opinion of management, based upon a present valuation of the Company's operating businesses, that any such possible disposition under present circumstances would not have a material adverse effect upon the Company's financial position.

Other Aspects of the Exchange Offer

General Host reserves the right in its sole discretion to make offers subsequent to the expiration of the Exchange Offer for shares of Armour Common Stock or for Armour Debentures on a cash or exchange-of-securities basis or a combination thereof, by merger, or otherwise, which offers could differ in terms from the Exchange Offer described herein.

General Host intends to act promptly both before and after consummation of the Exchange Offer to obtain control of the board of directors and management of Armour. In this connection it may engage in the solicitation of proxies for the election of directors of Armour and other matters, both at the February 21, 1969 annual meeting of Armour and Company and otherwise.

General Host may find it desirable upon consummation of the Exchange Offer to propose to stockholders of the relevant corporations a merger or consolidation of it or its present or future subsidiaries with Armour or certain of its subsidiaries, or General Host may find it desirable to dispose of portions of the assets presently held by it or by Armour. If no such merger or consolidation occurs, and if General Host has not acquired more than 80% of Armour's Common Stock, which would allow it to enter into tax-saving arrangements, General Host may find it necessary or desirable to increase the dividend paid on common stock by Armour, or to incur new indebtedness or issue additional equity securities.

The acquisition of a majority of the Common Stock of Armour will be accounted for as a purchase. Price Waterhouse & Co., the Company's independent accountants, have reviewed the foregoing accounting treatment and approved it as being in accordance with generally accepted accounting principles.

The proceeds to General Host from any exercise of the Warrants will be used for general corporate purposes, which may include improvement or expansion of existing facilities, acquisition of new facilities or businesses, or retirement of debt.

Information Concerning Armour

See Annex A to this Prospectus for information concerning Armour and the financial statements of Armour. General Host has requested information from Armour for use in connection with the Exchange Offer. To date Armour has declined to supply such information except for its annual report to stockholders and has declined to authorize its independent accountants to furnish General Host with signed opinions or consents. Consequently, except as otherwise indicated, all information relating to Armour, including but not limited to financial statements and statistical material, is based upon published information, including information filed with the Securities and Exchange Commission. Such Commission does not approve, disapprove or pass upon the accuracy of such information. Except as stated herein, the latest such information included was, as to audited financial statements, as of and for the year ended November 2, 1968 and, as to non-financial data, that information available at January 20, 1969. Except as stated herein, any other information regarding Armour was either not available to General Host or available only at the cost of unreasonable effort and expense. Although the information concerning Armour has been taken from public records and other sources believed by General Host to be reliable, General Host cannot warrant the accuracy or completeness of the information concerning Armour contained herein or that events, unknown to General Host, have not occurred which would affect the significance or accuracy of such information. If Armour releases significant data differing in material effect from that presented herein before or during the course of the Exchange Offer General Host will amend or supplement this Prospectus.

EFFECT OF EXCHANGE ON ARMOUR STOCKHOLDERS WHO ACCEPT OFFER

Armour has been paying dividends on its Common Stock at an annual rate of \$1.60 per share during its last 17 fiscal quarters, and Armour's net annual per share earnings during the years 1964-1968 were only \$3.70, \$2.51, \$(0.04), \$2.61 and \$1.32, respectively. There would be \$4.20 in annual interest payable on the \$60 principal amount of General Host 7% Debentures proposed to be exchanged for each Armour share.

The per share book value of Armour (undiluted) at November 2, 1968 was \$39.23. Under the Exchange Offer, \$60 in principal amount of Debentures would be exchanged for each Armour share.

In addition, Armour stockholders would have the opportunity to participate in any possible future increases in the market value of General Host's stock through the 2½ Warrants to purchase General Host's stock at \$40 also to be exchanged for each Armour share.

PRO FORMA EFFECT OF EXCHANGE ON GENERAL HOST PER SHARE EARNINGS

General Host pro forma net income for the unaudited 52 weeks ended October 5, 1968, amounted to \$1.12 per share based on average shares outstanding of 4,179,748 (including the common share equivalent of the 5% convertible subordinate notes of 1,755,555 shares). There is no way to determine the extent to which Armour stock will be exchanged for the Debentures and Warrants offered. However, combining General Host operations for the 52 weeks ended October 5, 1968 and Armour operations for its fiscal year ended November 2, 1968, General Host's pro forma income before extraordinary items would range from a high of \$3.30 per share if Armour is 100% owned to a low of \$1.03 per share if Armour is only 60% owned. After giving effect to extraordinary items, consisting primarily of Armour's \$13,215,000 non-recurring loss incurred in the disposition of its domestic Agricultural Chemical Division in 1968, General Host's pro forma net income (loss) would range from a high of \$.45 per share if Armour is 80% owned to a low of (\$.74) per share if Armour is 60% owned. For further information, including effect of exercise of Warrants by application of principal amount of Debentures to the exercise price, see "Pro Forma Combined Statements of Income".

**PRO FORMA EFFECT OF EXCHANGE ON GENERAL HOST
PER SHARE BOOK VALUE**

	Book Value	
	Pro Forma(1)(3)	Assuming Dilution(2)
Assuming 16.5% ownership of Armour	\$20.02	\$20.39
Assuming 51% ownership of Armour	\$26.09	\$26.08
Assuming 60% ownership of Armour	\$27.59	\$27.49
Assuming 80% ownership of Armour	\$30.94	\$30.63
Assuming 100% ownership of Armour	\$34.29	\$33.77

(1) Represents book value at October 5, 1968, adjusted to give retroactive effect to conversion of the 5% convertible subordinate notes and issuance of General's 7% subordinated debentures and warrants.

(2) Represents book value at October 5, 1968, adjusted to give retroactive effect to the transactions referred to in (1) above and the exercise of the ten year warrant issued to Gulf & Western Industries, Inc. and outstanding employee stock options. (Not including effect of use of 7% Subordinated Debentures to exercise Warrants.)

(3) Included in the pro forma book value are unamortized bond discount and excess of cost of investment in Armour over equity in net assets of \$23.33 per share at 51%, \$27.90 at 60%, \$38.06 at 80% and \$48.21 at 100%.

PRICE RANGES OF COMMON STOCK

General Host Corporation

The following table sets forth the closing price ranges of General Common Stock on the New York Stock Exchange during each of the last three calendar years:

<u>Year</u>	<u>High</u>	<u>Low</u>
1966		
1st quarter	23 $\frac{3}{8}$	14 $\frac{3}{8}$
2nd quarter	21 $\frac{1}{2}$	16
3rd quarter	18 $\frac{5}{8}$	15 $\frac{1}{4}$
4th quarter	17 $\frac{1}{2}$	13 $\frac{5}{8}$
1967		
1st quarter	22 $\frac{3}{4}$	15 $\frac{3}{8}$
2nd quarter	35 $\frac{1}{2}$	22 $\frac{1}{8}$
3rd quarter	40 $\frac{7}{8}$	34
4th quarter	39 $\frac{1}{8}$	27 $\frac{1}{2}$
1968		
1st quarter	37 $\frac{7}{8}$	21 $\frac{7}{8}$
2nd quarter	33 $\frac{3}{4}$	22 $\frac{1}{8}$
3rd quarter	35 $\frac{1}{2}$	27 $\frac{5}{8}$
4th quarter	45	32 $\frac{5}{8}$
1969		
1st quarter through January 28	40 $\frac{5}{8}$	32 $\frac{1}{2}$

On January 28, 1969 the reported closing price per share of General Common Stock was 39 $\frac{3}{8}$.

Armour and Company

The following table sets forth the high and low selling prices for Armour Common Stock on the New York Stock Exchange during each of the last three calendar years:

<u>Year</u>	<u>High</u>	<u>Low</u>
1966:		
1st quarter	48	42 $\frac{3}{8}$
2nd quarter	47 $\frac{1}{4}$	35 $\frac{3}{4}$
3rd quarter	37 $\frac{7}{8}$	28 $\frac{1}{4}$
4th quarter	34	26 $\frac{3}{4}$
1967:		
1st quarter	39	31
2nd quarter	36 $\frac{3}{4}$	32
3rd quarter	40 $\frac{7}{8}$	35 $\frac{7}{8}$
4th quarter	37 $\frac{3}{4}$	32 $\frac{3}{8}$
1968:		
1st quarter	46 $\frac{3}{8}$	32 $\frac{1}{4}$
2nd quarter	52 $\frac{1}{4}$	34 $\frac{1}{8}$
3rd quarter	50	44
4th quarter	63 $\frac{1}{2}$	49 $\frac{3}{8}$
1969		
1st quarter through January 28	65	53

The reported closing price per share of Armour Common Stock on January 28, 1969, was 65.

On January 28, 1969 The Greyhound Corporation offered to acquire up to 41% of Armour's outstanding Common Stock for \$65 per share. On January 30, 1969, this offer was increased to \$70 per share (see p. A-8 of this Prospectus).

**GENERAL HOST CORPORATION
ARMOUR AND COMPANY**

CAPITALIZATION

	Historical General Host Corporation November 30, 1968	Pro Forma Assuming Armour is			
		51% Owned	60% Owned	80% Owned	100% Owned
General Host					
Long-Term Debt(1):					
Company:					
Notes Payable to insurance companies (2)	\$ 9,400,000	\$ 9,400,000	\$ 9,400,000	\$ 9,400,000	\$ 9,400,000
6% Cumulative Income Subordinated Debentures due 12/1/90	9,134,400	9,134,400	9,134,400	9,134,400	9,134,400
Notes Payable to banks due 1968-1973	4,750,000	4,750,000	4,750,000	4,750,000	4,750,000
5% Convertible Subordinate Notes due 6/15/88	47,400,000	47,400,000	47,400,000	47,400,000	47,400,000
Bank loans (3)	14,000,000	15,300,000	16,200,000	18,100,000	20,000,000
Other	980,402	980,402	980,402	980,402	980,402
7% Subordinated Debentures (4)	—	147,480,000	184,140,000	265,620,000	347,040,000
Subsidiaries:					
Subsidiary Note Payable to bank due 1969	340,000	340,000	340,000	340,000	340,000
Other Subsidiary Debt 3% to 6%	695,431	695,431	695,431	695,431	695,431
Armour					
Long-Term Debt(1):					
First Mortgage Sinking Fund Bonds ...	—	16,046,000	16,046,000	16,046,000	16,046,000
Notes Payable—Banks (5)	—	24,000,000	24,000,000	24,000,000	24,000,000
7% Purchase Money Note due 1/11/71	—	3,000,000	3,000,000	3,000,000	3,000,000
Equipment lease obligations	—	9,754,000	9,754,000	9,754,000	9,754,000
5% Cumulative Income Subordinated Debentures due 11/1/84	—	47,525,000	47,525,000	47,525,000	47,525,000
Total	\$86,700,233	\$335,805,233	\$373,365,233	\$456,745,233	\$540,065,233
Capital Stock:					
General Host Common Stock \$1 par value (6), (7) and (8)	\$ 2,550,872	\$ 2,550,872	\$ 2,550,872	\$ 2,550,872	\$ 2,550,872
General Host capital in excess of par value	14,298,998	40,329,000	46,800,000	61,181,000	75,552,000
Armour and Company \$4.75 Preferred Stock (\$100 par value)	—	52,635,200	52,635,200	52,635,200	52,635,200

(1) Includes long-term debt due within one year.

(2) The notes payable to insurance companies bear interest at 5¼%. These notes will be repaid in August 1969 if General Host consummates the Exchange Offer and it is presently anticipated that they will be refinanced at the company's present borrowing rate.

(3) Represents proceeds from a \$20,000,000 loan agreement entered into on November 1, 1968. Interest is 1% above the prime rate.

(4) 7% Subordinated debentures which are to be issued in exchange for Armour stock at the rate of \$60 principal amount plus 2½ warrants per Armour share. The debentures will be due February 1, 1994.

(5) Armour borrowed funds under a 1966 revolving bank credit agreement. Interest is at the prime rate. On April 1, 1969 Armour may convert any portion of this debt into 5% term notes payable in eight semi-annual instalments to April 1, 1973.

(6) Includes 63,000 shares held in treasury.

(7) A proposal to amend the certificate of incorporation by increasing the authorized number of shares of common stock of the company from 10,000,000 shares to 30,000,000 shares was adopted at a special meeting of shareholders held on January 20, 1969. The company also has 1,000,000 shares of Preferred Stock \$1 par value authorized, none of which are outstanding.

(8) The number of warrants to purchase General Host Corporation common stock to be issued under the above assumptions and the proceeds, which may in part include reduction of the 7% Subordinated debentures, to be received from the exercise thereof are as follows:

	51%	60%	80%	100%
Number of warrants	6,145,000	7,672,500	11,067,500	14,460,000
Proceeds	\$245,800,000	\$306,900,000	\$442,700,000	\$578,400,000

**GENERAL HOST CORPORATION
ARMOUR AND COMPANY**

**PRO FORMA COMBINED STATEMENTS OF INCOME
(unaudited)**

The following unaudited pro forma statement combines the operations of General for the 52 week period ended October 5, 1968, adjusted to give effect to certain transactions occurring subsequent to October 5, 1968 as set forth in Note 1 hereto, with those of Armour for the 53 week period ended November 2, 1968, as set forth in Armour's Consolidated Statement of Earnings included elsewhere herein. See "Information concerning Armour" elsewhere herein. This statement assumes the issuance for each share of Armour's common stock acquired, of \$60 principal amount of General's 7% subordinated debentures due February 1, 1994 plus 2½ warrants expiring January 31, 1979 to purchase General common stock. See "Description of Debentures" and "Description of Warrants" elsewhere herein. Inasmuch as there can be no assurance of the extent to which the Armour shares will be exchanged for the General debentures and warrants, this statement gives effect to the assumptions that General acquires 51%, 60%, 80% and 100% of the outstanding common stock of Armour and that the transaction will be accounted for as a purchase. This statement should be read in conjunction with the financial statements of the respective companies included elsewhere herein.

	Armour and Company (Historical)	General Host Corporation Pro Forma (Note 1)	Pro Forma General Host Corporation assuming Armour is			
			51% owned	60% owned	80% owned	100% owned
			(Stated in thousands of dollars)			
Sales	\$2,096,402	\$ 202,039	\$2,298,441	\$2,298,441	\$2,298,441	\$2,298,441
Costs and expenses	2,048,749	198,881	2,259,004	2,261,714	2,267,732	2,273,746
Minority interest	739	—	14,722	12,613	7,926	3,239
Federal income taxes	21,670	368	22,164	22,164	11,961	8,785
	<u>2,071,158</u>	<u>199,249</u>	<u>2,295,890</u>	<u>2,296,491</u>	<u>2,287,619</u>	<u>2,285,770</u>
Income before extraordinary items ..	25,244	2,790	2,551	1,950	10,822	12,671
Extraordinary items, net of related taxes and minority interest	(13,215)	517	(6,223)	(7,412)	(10,055)	(12,698)
Pro forma net income (loss)	<u>12,029</u>	<u>3,307</u>	<u>(3,672)</u>	<u>(5,462)</u>	<u>767</u>	<u>(27)</u>
Dividends on preferred shares	<u>2,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Pro forma income (loss) applicable to common stock	<u>\$ 9,529</u>	<u>\$ 3,307</u>	<u>\$ (3,672)</u>	<u>\$ (5,462)</u>	<u>\$ 767</u>	<u>\$ (27)</u>
Income per share:						
Income before extraordinary items	\$ 3.15	\$ 1.00				
Extraordinary items	(1.83)	.12				
Net income	<u>\$ 1.32</u>	<u>\$ 1.12</u>				
Pro forma income (loss) per share:						
Income before extraordinary items			\$1.18	\$ 1.03	\$ 2.86	\$ 3.30
Extraordinary items			(1.49)	(1.77)	(2.41)	(3.04)
Pro forma net income (loss) ...			<u>\$(.31)</u>	<u>\$ (.74)</u>	<u>\$.45</u>	<u>\$.26</u>
Fully diluted pro forma income per share:						
Income before extraordinary items			\$1.70	\$ 1.76	\$ 1.94	\$ 1.99
Extraordinary items			(.79)	(.84)	(.93)	(.99)
Fully diluted pro forma net income			<u>\$.91</u>	<u>\$.92</u>	<u>\$1.01</u>	<u>\$1.00</u>

The amounts included above for pro forma General Host Corporation assuming Armour is 51% owned, 60% owned, 80% owned and 100% owned do not include any amounts for amortization of the estimated excess of the purchase price over the net assets of Armour acquired of \$73,248,000, \$86,249,000, \$115,152,000 and \$143,994,000, respectively, because the Company does not have sufficient information at this time to make any allocation of such excess. When such allocation can be made, it is intended that the excess will be allocated among Armour's assets based on their present values. To the extent such allocation is made to depreciable or amortizable assets, increased depreciation and amortization could have a material effect on future earnings of General Host Corporation.

NOTE 1:

The General Host Corporation pro forma column represents the historical operations of the company for the 52 week period ended October 5, 1968, adjusted to give retroactive effect for the full year to:

- The issuance in October 1968 of \$47,400,000 of 5% convertible subordinate notes, due 1988, and the use of the proceeds to purchase 750,000 shares of Armour common stock.
- The \$14,000,000 bank loan in November 1968 and the use of the proceeds to purchase 252,500 shares of Armour common stock.

**GENERAL HOST CORPORATION
ARMOUR AND COMPANY**

NOTES TO PRO FORMA COMBINED STATEMENTS OF INCOME

NOTE 2:

The following pro forma adjustments are given effect to in the above pro forma combined statements of income:

	General Host Corporation (Pro Forma)	Pro Forma General Host Corporation assuming Armour is			
		51% owned	60% owned	80% owned	100% owned
		(Stated in thousands of dollars)			
Net income of General Host for unaudited 52 weeks ended October 5, 1968	\$3,628	\$ 3,628	\$ 3,628	\$ 3,628	\$ 3,628
Add:					
Dividend income (a)	1,604	—	—	—	—
Net income of Armour (b)	—	12,720	12,720	12,720	12,720
	<u>5,232</u>	<u>16,348</u>	<u>16,348</u>	<u>16,348</u>	<u>16,348</u>
Deduct:					
Interest expense (c)	3,420	14,655	17,365	23,383	29,397
Minority interest in net income of Armour (d)	—	7,508	6,588	4,544	2,500
Income tax effect of above adjustments	(1,495)	(2,143)	(2,143)	(12,346)	(15,522)
	<u>1,925</u>	<u>20,020</u>	<u>21,810</u>	<u>15,581</u>	<u>16,375</u>
Pro forma net income (loss)	<u>\$3,307</u>	<u>\$(3,672)</u>	<u>\$(5,462)</u>	<u>\$ 767</u>	<u>\$ (27)</u>

- (a) Represents dividends on 1,002,500 shares of Armour common stock at an assumed annual dividend rate of \$1.60 per share. Although the assumed rate of \$1.60 per share reflects Armour's actual dividend policy during its last seventeen fiscal quarters, the company has no control over Armour's dividend policy and there is no assurance that this policy will be continued.
- (b) Represents Armour's net income for the fiscal year ended November 2, 1968 in the amount of \$12,029,000, adjusted to give effect to the estimated annual interest savings, net of tax, of \$691,000 resulting from the assumed conversion of Armour's 4½% convertible subordinate debentures at the beginning of the period. See Note 4 to the pro forma combined statements of income.
- (c) Represents interest expense for a full year on the following:
- (1) The \$47,400,000 of 5% convertible subordinate notes of General issued in October 1968 and the \$14,000,000 bank loan in November, the proceeds of which were used to acquire shares of Armour common stock.
 - (2) The 7% subordinated debentures of General which will be issued in exchange for Armour stock at the rate of \$60 principal amount plus 2½ warrants expiring January 31, 1979. Interest expense for the 7% debentures includes a full year's amortization of the estimated original issue discount on the 7% subordinated debentures computed by the "interest method". The aggregate amount of the original issue discount is estimated to be \$61,253,000 on the 100% owned basis and the amortization thereof computed by the "interest method", will gradually increase from \$731,000 in the first year to \$5,728,000 in the twenty-fifth year.
 - (3) The refinancing of General's 5¼% notes payable to insurance companies in the amount of \$9,400,000, through borrowings at the company's current borrowing rate.
 - (4) Additional borrowings under General's bank loan agreement of \$1,300,000, \$2,200,000, \$4,100,000 and \$6,000,000 on the 51%, 60%, 80% and 100% owned bases, respectively.
- (d) Represents the minority share of Armour's net income plus the \$2,500,000 annual dividend on the 526,352 shares of Armour \$4.75 preferred stock outstanding.

NOTE 3:

No pro forma adjustment has been made to reflect amortization of the excess of the purchase price over the net assets of Armour acquired because the company does not have sufficient information to make any allocation of such excess.

NOTE 4:

In determining the number of shares of Armour which would have to be acquired to attain the various levels of ownership reflected in the pro forma combined balance sheets and statements of income, it was assumed that the Armour 4½% convertible subordinated debentures outstanding at November 2, 1968 were converted into common stock of Armour at the beginning of the year and that the Armour stock options outstanding at November 2, 1968 were exercised at the beginning of the year and the proceeds used to acquire Armour common stock for the treasury at the current market price.

If the debentures and stock options were assumed not to have been converted and exercised and, accordingly the related shares not tendered in the exchange offer, pro forma net income on the 100% owned basis would be increased by approximately \$720,000, representing the reduction in interest expense, net of related taxes, on the 7% subordinated debentures of General not issued.

NOTE 5:

The Armour and Company (Historical) earnings per share are based on the weighted average shares of Armour outstanding during the year ended November 2, 1968.

The pro forma earnings (loss) per share are based on the average number of shares of the company's common stock outstanding during the 52 weeks ended October 5, 1968, after giving retroactive effect to (1) the shares issued in exchange for the stock of Li'l General Stores, Inc. on July 19, 1968 and (2) the common share equivalent (1,755,555 shares) of the company's 5% convertible subordinate notes issued in October 1968.

A "residual security", as defined by the Accounting Principles Board of the American Institute of Certified Public Accountants, is one which clearly derives a major portion of its value from its conversion rights or its common stock characteristics. Under this definition, the company's 5% convertible subordinate notes were not residual securities at the time of their issuance. However, as defined by the Securities and Exchange Commission, a security is "residual" if, at the time of issuance, the terms are such as to result in immediate material dilution to pro forma earnings per share, assuming conversion, whether or not a majority of its value may be derived from its conversion rights. Under this definition, the company's 5% convertible subordinate notes are "residual" securities and, accordingly, their common share equivalent has been combined with the average shares outstanding in computing pro forma earnings (loss) per share.

NOTE 6:

Fully diluted pro forma income per share is based on the assumption that the warrants to be issued hereunder are exercised to the extent that the 7% subordinated debentures can be applied at their principal amount as payment therefor.

**GENERAL HOST CORPORATION
ARMOUR AND COMPANY**

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**PRO FORMA COMBINED BALANCE SHEETS
(unaudited)**

The following unaudited pro forma balance sheets combine the accounts of General at October 5, 1968, adjusted to give effect to certain transactions occurring subsequent to October 5, 1968 as set forth in Note 1 hereto, with those of Armour at November 2, 1968 as set forth in Armour's Consolidated Statement of Financial Position included elsewhere herein. See "Information Concerning Armour" elsewhere herein. Inasmuch as there can be no assurance of the extent to which the Armour shares will be exchanged for General's debentures and warrants, this statement gives effect to the assumptions that General will acquire 51%, 60%, 80% and 100% of the outstanding common stock of Armour and that the transaction will be accounted for as a purchase. This statement should be read in conjunction with the financial statements of the respective companies included elsewhere herein.

	Armour and Company (Historical)	General Host Corporation Pro Forma (Note 1)	Pro Forma General Host Corporation assuming Armour is			
			51% owned	60% owned	80% owned	100% owned
(Stated in thousands of dollars)						
ASSETS						
Current assets	\$350,356	\$ 35,139	\$372,267	\$372,267	\$372,267	\$372,267
Investment in Armour and Company	—	60,347	—	—	—	—
Other investments	69,651	1,193	70,844	70,844	70,844	70,844
Property and plant	138,578	41,139	179,517	179,517	179,517	179,517
Deferred charges	12,084	1,548	13,839	13,839	13,839	13,839
Unamortized bond discount	—	—	25,738	32,134	46,352	60,561
Excess of cost of investment in Armour over equity in net assets	—	—	73,248	86,249	115,152	143,994
Total assets	<u>\$560,469</u>	<u>\$139,366</u>	<u>\$735,453</u>	<u>\$754,850</u>	<u>\$797,971</u>	<u>\$841,022</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities	\$ 96,416	\$ 14,974	\$110,699	\$110,699	\$110,699	\$110,699
Long term debt	126,238	85,067	186,090	180,946	182,847	184,747
7% Subordinated debentures	—	—	147,480	184,140	265,620	347,040
Reserves and deferred credits	34,504	1,770	36,274	36,274	36,274	36,274
Minority interest in subsidiary	11,534	—	145,005	120,490	66,012	11,534
	<u>268,692</u>	<u>101,811</u>	<u>619,548</u>	<u>532,549</u>	<u>661,452</u>	<u>690,294</u>
STOCKHOLDERS' EQUITY						
Preferred stock	52,635	—	52,635	52,635	52,635	52,635
Common stock	38,071	2,551	2,551	2,551	2,551	2,551
Capital in excess of par value	152,095	14,299	40,329	46,800	61,181	75,552
Retained earnings	124,693	22,945	22,630	22,555	22,392	22,230
	<u>367,494</u>	<u>39,795</u>	<u>118,145</u>	<u>124,541</u>	<u>138,759</u>	<u>152,968</u>
Less: cost of treasury stock	75,717	2,240	2,240	2,240	2,240	2,240
Total Stockholders' Equity ..	<u>291,777</u>	<u>37,555</u>	<u>115,905</u>	<u>122,301</u>	<u>136,519</u>	<u>150,728</u>
Total Liabilities and Stockholders' Equity	<u>\$560,469</u>	<u>\$139,366</u>	<u>\$735,453</u>	<u>\$754,850</u>	<u>\$797,971</u>	<u>\$841,022</u>

**GENERAL HOST CORPORATION
ARMOUR AND COMPANY**

NOTES TO PRO FORMA COMBINED BALANCE SHEETS

NOTE 1:

The General Host Corporation pro forma column represents the historical financial position of the company at October 5, 1968, adjusted to give retroactive effect to:

(a) The issuance by the company in October 1968 of \$47,400,000 of 5% convertible subordinate notes, due 1988, and the use of the proceeds to purchase 750,000 shares of Armour common stock.

(b) The company's \$14,000,000 bank loan in November 1968 and the use of the proceeds to purchase 252,500 shares of Armour common stock.

NOTE 2:

No allocation has been made of the excess of the purchase price over the net assets of Armour acquired because the Company does not have sufficient information to make such an allocation.

NOTE 3:

The following pro forma adjustments have been given effect to in the above statement:

(a) The sale in October 1968 of \$47,400,000 of General's 5% convertible subordinate notes, the bank borrowings of \$14,000,000 in November 1968 and the purchase of 1,002,500 shares of Armour common stock with the proceeds therefrom.

(b) The conversion of Armour's 4 1/4% convertible subordinated debentures into 636,645 shares of Armour common stock and the exercise of Armour's employee stock options into 146,940 shares of Armour common at the beginning of the period.

(c) The assumed borrowing, at the company's current borrowing rate, of \$1,300,000, \$2,200,000, \$4,100,000 and \$6,000,000 on the 51%, 60%, 80% and 100% owned bases respectively, representing the excess of the maximum estimated expenses of the proposed tender offer over the amount of internally generated funds presently available for such purpose.

(d) The issuance by General for each share of Armour common stock, of \$60 principal amount, 7% subordinated debentures and warrants to purchase 2 1/2 shares of General common stock. The 7% debentures have been recorded at an assumed original issue discount of 17.65% and amortization for a full year recorded by use of the "interest method". The warrants have been recorded at an assumed value equivalent to the original issue discount on the 7% debentures by increasing both the investment in the stock of Armour and capital in excess of par value.

**GENERAL HOST CORPORATION
and Subsidiary Companies**

CONSOLIDATED STATEMENT OF INCOME

The following consolidated statement of income, insofar as it relates to the five fiscal years ended December 30, 1967, has been examined by Price Waterhouse & Co., independent accountants, whose opinion thereon (which contains a qualification as to consistency in the application of accounting principles relating to the method of computing depreciation as explained in Note (b) hereto, and which is based in part on the opinions of other independent accountants) appears elsewhere herein. This statement includes the results of operations of L'il General Stores, Inc. which was merged into General Host Corporation on July 19, 1968 and accounted for as a pooling of interests. In the opinion of the Company, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim periods, have been included. This statement should be read in conjunction with the other consolidated financial statements and notes thereto of General Host Corporation and subsidiary companies included elsewhere herein:

	Fiscal Years Ended proximate to December 31,					40 Weeks Ended	
	1963	1964	1965	1966	1967	October 7, 1967	October 5, 1968
						(unaudited)	
Sales	\$181,615,924	\$187,813,658	\$185,418,203	\$175,504,617	\$196,816,066	\$151,929,594	\$156,265,576
Less—Sales of facilities disposed of (c)	34,552,032	33,711,031	28,242,354	—	—	—	—
Net Sales	147,063,892	154,102,627	157,175,849	175,504,617	196,816,066	151,929,594	156,265,576
Dividends, interest and other income	197,581	272,740	211,381	269,307	187,338	154,276	612,013
	147,261,473	154,375,367	157,387,230	175,773,924	197,003,404	152,083,870	156,877,589
Cost of sales and service, exclusive of depreciation and amortization	88,966,273	96,123,066	101,843,899	116,904,628	131,160,136	100,974,990	102,828,174
Delivery, selling, advertising and administrative expenses	49,240,416	49,637,807	46,850,954	49,794,881	56,064,788	42,993,252	45,332,535
Depreciation and amortization (b)	3,790,876	4,064,756	4,209,067	4,168,495	4,013,685	3,213,692	3,204,003
Interest expense	794,671	789,982	817,655	1,287,636	1,398,871	1,082,535	1,282,995
	142,792,236	150,615,611	155,721,575	172,155,640	192,637,480	148,264,469	152,647,707
Operating loss of facilities disposed of (c)	1,645,000	1,712,000	2,030,000	—	—	—	—
	144,437,236	152,327,611	157,751,575	172,155,640	192,637,480	148,264,469	152,647,707
Income (loss) before federal income taxes and extraordinary items	2,824,237	2,047,756	(364,345)	3,618,284	4,365,924	3,819,401	4,229,882
Federal income taxes (Note 7) ..	1,402,000	699,000	(49,000)	1,596,000	1,652,000	1,622,129	1,565,056
Income (loss) before extraordinary items	1,422,237	1,348,756	(315,345)	2,022,284	2,713,924	2,197,272	2,664,826
Extraordinary items (Note 3) (d) ..	170,000	35,000	(2,099,574)	690,043	—	—	51,270
Net income (loss) (b, d and e) ..	\$ 1,592,237	\$ 1,383,756	\$ (2,414,919)	\$ 2,712,327	\$ 2,713,924	\$ 2,197,272	\$ 3,182,096
Per share of common stock (f):							
Income (loss) before extraordinary items	\$.39	\$.35	\$ (.38)	\$.90	\$1.18	\$.96	\$1.09
Extraordinary items (d) ..	.08	.02	(.95)	.31	—	—	.21
Net income (loss)	\$.47	\$.37	\$ (1.33)	\$1.21	\$1.18	\$.96	\$1.30
Pro forma net income (g) ..					\$.95	\$.76	\$.96

Numerical note references are to notes to the consolidated financial statements of the company included elsewhere herein.

(a) On July 19, 1968 the company issued 661,279 shares of its stock in exchange for all of the outstanding common stock of L'il General Stores, Inc., on the basis of nine-tenths of a share of General Host common stock for each share of L'il General stock. The transaction has been accounted for as a pooling of interests and, accordingly, the results of operations of the two companies have been combined for all periods prior to the merger in the above consolidated statement of income. The results of operations for the 40 week period ended October 5, 1968 include the operations of L'il General Stores, Inc. for the 40 weeks ended October 5, 1968, and the results of operations for the fiscal year ended December 30, 1967 includes the operations of L'il General Stores, Inc. for its fiscal year ended October 28, 1967. Accordingly, L'il General's sales of \$7,793,738 and net income of \$165,287 for the two months ended December 31, 1967 have not been included in the statement of income. See Note 1 to the consolidated financial statements.

GENERAL HOST CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

Previously reported sales and net income have been restated as indicated below:

Sales	1963	1964	1965	1966	1967	40 Weeks Ended	
						Oct. 7, 1967	Oct. 5, 1968
						(unaudited)	
General Host Corporation	\$164,888,904	\$164,218,306	\$156,142,635	\$138,955,475	\$155,241,721	\$119,952,516	\$131,374,267
Li'l General Stores, Inc. . .	16,727,020	23,595,352	29,275,568	36,549,142	41,574,345	31,977,078	24,891,309*
	<u>\$181,615,924</u>	<u>\$187,813,658</u>	<u>\$185,418,203</u>	<u>\$175,504,617</u>	<u>\$196,816,066</u>	<u>\$151,929,594</u>	<u>\$156,265,576</u>
Net Income							
General Host Corporation	\$ 1,242,131	\$ 1,037,463	\$ (2,932,474)	\$ 1,451,723	\$ 1,996,601	\$ 1,642,954	\$ 2,590,446
Li'l General Stores, Inc. . .	350,106	346,293	517,555	1,260,604	717,323	554,318	591,650*
	<u>\$ 1,592,237</u>	<u>\$ 1,383,756</u>	<u>\$ (2,414,919)</u>	<u>\$ 2,712,327</u>	<u>\$ 2,713,924</u>	<u>\$ 2,197,272</u>	<u>\$ 3,182,096</u>

* Represents operations of Li'l General Stores, Inc. for period prior to merger.

(b) Effective January 1, 1967 the company, for financial reporting purposes, changed from an accelerated method to the straight-line method of computing depreciation while continuing to use accelerated methods for tax purposes. This change had the effect of decreasing depreciation expense for 1967 by approximately \$1,150,000 and, after provision for deferred federal income taxes, increasing net income by approximately \$600,000 or \$26 per share.

(c) During 1965 the Company adopted a program for the discontinuation of unprofitable operations and the disposal of idle facilities. Sales and related costs and expenses of these operations, except for federal income taxes and interest expense, have been deducted from their respective categories and the net result shown as a separate item in the consolidated statement of income for the fiscal years 1963 through 1965. Operations subsequent to 1965 do not include any sales or operating results of such facilities.

(d) In accordance with Accounting Principles Board Opinion No. 9, transactions in the years 1963 to 1966 which previously were reported as special items after net income have been reflected in the above statement as extraordinary items and included in net income. The extraordinary items consist of the following:

	1963	1964	1965	1966	40 Weeks Ended Oct. 5, 1966
					(unaudited)
General Host Corporation:					
Provision for losses incurred and estimated future losses on discontinuation of certain activities and disposal of facilities, less related federal income tax reduction (1)				\$(2,144,574)	
Gain on sale of investment in Uncle John's Restaurants Inc., less related federal income tax of \$365,000 (Note 2)					\$ 818,270
Provision for estimated loss on disposal of facility, less related federal income tax reduction of \$239,000 (2)					(301,000)
Li'l General Stores, Inc.:					
Reduction in federal income taxes arising from utilization of operating loss carryforwards	\$ 170,000	\$ 35,000	45,000	\$ 25,000	
Proceeds from officers' life insurance, net of surrender value				665,043	
	<u>\$ 170,000</u>	<u>\$ 35,000</u>	<u>\$(2,099,574)</u>	<u>\$ 690,043</u>	<u>\$ 517,270</u>

(1) The net loss for 1965 has been restated to give effect to the adjustment in 1967 of the reserve for losses established in 1965. This retroactive adjustment reduced the amount of the extraordinary charge and net loss for 1965 by \$346,695 or \$16 per share, representing the reversal of the \$624,695 remaining balance in the reserve, less related federal income tax reductions of \$278,000. See Note 3 to the consolidated financial statements.

(2) The sales and operating loss, before deducting federal income taxes and interest expense, of the facility disposed of were \$7,516,000 and \$312,000, respectively, for the 40 weeks ended October 5, 1966.

(e) As more fully explained in Note 1 to the consolidated financial statements, on October 5, 1966 the Company purchased all of the issued and outstanding stock of Yellowstone Park Company and Everglades Park Co., Inc. In December 1966, Yellowstone and Everglades changed their fiscal years from September 30 to an approximate calendar year basis to conform with the company's fiscal year. The operations of Yellowstone and Everglades have been included in the consolidated statement of income from the date of acquisition; however, in lieu of the previously followed practice of deferring preseason fixed costs incurred during the last quarter of the calendar year, the net loss from the date of acquisition to December 31, 1966 amounting to \$336,834 was charged against income for 1966 and offset by the inclusion in income of an equivalent amount of amortization of the excess of equity in net assets over cost.

GENERAL HOST CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

(f) Based on the average number of shares of General Host common stock outstanding during each period, after giving retroactive effect to the issuance of nine-tenths of a share of General Host common stock in exchange for each share of Li'l General common stock outstanding and after deducting the annual preferred dividend requirements of General Host for the fiscal years 1963 through 1965 of \$578,888, \$577,111 and \$520,892, respectively.

(g) The pro forma net income per share is based on the assumption that the Company's \$47,400,000 of 5% convertible subordinate notes, due June 15, 1988 and issued in October 1968 are "residual securities" and, accordingly, were converted into 1,755,555 shares of common stock at the beginning of the periods with the proceeds of the offering used to acquire common stock of Armour and Company. See Note 5 to the pro forma combined statements of income and Notes 2 and 5 to the Consolidated Financial Statements of General Host Corporation. There would be no change in the pro forma earnings per share if the ten-year warrant issued to Gulf & Western Industries, Inc. on August 6, 1968 and outstanding employee stock options were exercised at the beginning of the periods and the proceeds used to reduce outstanding debt.

Assuming recognition of the assignment of a value to the convertibility feature of the company's \$47,400,000 of 5% convertible subordinate notes as discount and assuming that the amount so assigned would aggregate approximately \$14,073,000, amortization thereof using the straight-line method over a period of 20 years would result in an annual amortization charge of approximately \$704,000 which, net of related federal income taxes, would be approximately \$.14 per share, based on the average shares outstanding during the 40 weeks ended October 5, 1968. The Company does not intend to impute any discount to the notes by reason of the value of their convertibility feature unless it is required to do so, and, if so required, the amount ultimately imputed may be different from that stated above.

HISTORY AND BUSINESS OF GENERAL HOST

Recent History

Since the date of its incorporation General Host has been engaged in the manufacture and sale of a complete line of bakery products, including bread (its principal baking product), rolls, cakes, pies and sweet goods. In the Fall of 1965 the Company undertook a program of disposing of unprofitable baking plants and properties and since such time has sold 17 non-productive properties and unprofitable baking plants. Thus, while the Company's sales declined in 1966, the elimination of these loss operations helped to enable it to attain a profit. The program for disposal of unprofitable plants has been completed. Subsequently the Company has expanded into tourism, convenience food and food service operations and convenience store operations.

In 1965 The Goldfield Corporation ("Goldfield") purchased 806,200 shares of the Company's stock, approximately 51% of the total then outstanding. Goldfield sold 400,000 of these shares on May 11, 1967 in an underwritten public offering and acquired an additional 31,500 shares by the exchange of its 35,000 shares of Li'l General Stores, Inc. upon the merger of that corporation into the Company. It presently holds 437,700 shares, approximately 17% of the total now outstanding. Following Goldfield's purchase, in May 1965, Mr. Richard C. Pistell, Chairman of the Board of Goldfield, became Chairman of the Company's Board. Mr. Harris J. Ashton, President of the Company, is a Director of Goldfield.

During 1963 and 1964 Goldfield purchased land at five locations in Arizona, New Mexico and Colorado for use in developing tourist accommodations and recreational facilities under a program known as the "Frontier West Project". On August 8, 1966 Goldfield purchased all of the stock of Yellowstone Park Company for \$4,000,000 in cash. On June 1, 1966 Goldfield acquired all of the outstanding stock of Everglades Park Co., Inc. in exchange for 778,946 shares of its Capital Stock. On October 5, 1966 Goldfield sold all of the outstanding stock of Yellowstone Park Company and of Everglades Park Co., Inc. and the assets comprising the Frontier West Project to the Company in a single transaction. The sale price which was equal to the cost of the assets on Goldfield's books was \$6,353,662 in cash and the assumption by the Company of a mortgage debt of \$99,634. Goldfield acquired Yellowstone and Everglades in 1966 because the initial contact and negotiations relative to these acquisitions had been conducted by Goldfield. Goldfield initially considered the acquisition of Yellowstone in 1964 while Goldfield owned a controlling interest in Frontier Airlines, Inc. During the period of its ownership of Frontier Airlines, Inc., Goldfield started the Frontier West program and con-

sidered other investments in the tourism field. It originally acquired these properties with the intention of developing them itself. It was not feasible at that time, however, for Goldfield to arrange the long term financing necessary to provide funds for the development of the potential of these properties in the foreseeable future. The Company, on the other hand, was in a better position to realize that potential.

In April, 1967, the Company changed its name from General Baking Company to General Host Corporation to reflect the diversification in its activities caused by its interests in the food-service and tourism industries.

In April, 1968, the Company issued and sold 200,000 shares of additional Common Stock in an underwritten public offering. The net proceeds to the Company from this offering were approximately \$4,144,000 after all expenses.

In July, 1968, Li'l General Stores, Inc., a Minnesota corporation, merged into General pursuant to an Agreement and Plan of Merger approved by the shareholders of both companies. The merger was accounted for as a pooling of interests. Li'l General Stores, Inc. owned and operated the properties which are now a part of the Company's Li'l General Stores Division. See "Convenience Store Operations".

In August, 1968, the Company in a single transaction acquired from Gulf & Western Industries, Inc. 150,000 shares of common stock of Armour at \$56 per share and an option to acquire a further 600,000 shares of Armour at \$60 per share. In connection with this transaction the Company also granted Gulf & Western Industries, Inc. a ten year Warrant to purchase 175,000 shares of Common Stock of the Company exercisable at \$30 per share. (Because of antidilution provisions in this Warrant which were activated by the sale of the 5% Convertible Subordinate Notes referred to below, this exercise price is now \$28.51 and the number of shares involved is 184,146.)

In August, 1968, the Company sold its 41% interest in Uncle John's Restaurants, Inc., a California-based chain of owned and franchised pancake houses and restaurants for \$4,589,375, which resulted in a gain, net of related federal income taxes, of \$818,270. This investment was made in 1966 and 1967.

In October, 1968, the Company, pursuant to shareholder approval, issued \$47,400,000 in principal amount of 5% Convertible Subordinate Notes due June 15, 1988, and used a portion of the proceeds to purchase the 600,000 shares of Armour stock from Gulf & Western Industries, Inc. in accordance with the terms of the Company's option from Gulf & Western Industries, Inc. In November and December, 1968, the Company acquired an additional 252,500 shares of Armour common stock in a series of market transactions. The average price per share paid for this stock was \$58.74. Also in November, 1968 the Company entered into a Loan Agreement providing for loans to the Company of up to \$20,000,000 by three banks for the purpose of financing purchases of Armour stock for cash. See "Investment in Armour" and Annex A.

Capital Expenditure Program

In 1967 the Company spent more than \$8,000,000 for expansion of capital facilities, including new ovens, machinery and equipment for baking plants, trucks and other vehicles, additional frozen storage capacity, new and renovated restaurants and coffee shops, renovation and improvement of tourist facilities at Yellowstone and Everglades and completion of the Frontier West tourist operation at Houck, Arizona.

The Company has continued its capital expenditures program during 1968, spending close to \$6,000,000 for substantially increasing the frozen convenience food facilities of Van de Kamp's, establishing additional Van de Kamp's coffee shops, continuing the automation and modernization programs for baking facilities of Van de Kamp's, Bond and Eddy, building new lodging units, dining facilities, camper service facilities and gift shops, modernizing landscaping and improving existing guest and tourist facilities of Yellowstone and Everglades, and building additional Li'l General convenience stores.

The Company proposes to continue its capital expenditures program during 1969 using funds to be derived from retained earnings and accumulated depreciation. There can, however, be no assurance that this program will continue on schedule because it depends in part on funds to be generated by operations.

Food Production and Processing Operations

Three of the Company's divisions produce baked goods, Van de Kamp's in the Los Angeles and Seattle areas, Bond Baking Company in the East and parts of the Midwest, and Eddy Bakeries Company in the northern Mountain States region. Each of these divisions manufactures and sells a complete line of baked goods, including bread, rolls, cakes, pies, sweet goods, cookies, doughnuts and miscellaneous bakery products. In addition, the Van de Kamp's division processes and sells frozen food specialty items and operates coffee shops and restaurants. The major brand names for the Company's bakery products are "Van de Kamp's", "Bond" and "Eddy", each of which has good consumer acceptance in its respective marketing areas. The Company's Vernell's division manufactures and sells candy and crackers under the names "Vernell's" and "Ho!-grain Wafer-ets" in the Los Angeles and Seattle areas and, through a brokerage system, throughout other parts of the country.

Van de Kamp's bakery products are sold primarily in the Los Angeles and Seattle areas, the Los Angeles market being considerably the larger. Its processed and frozen convenience food lines are distributed in a larger marketing area, including Southern California and parts of Arizona and Nevada. Van de Kamp's 14 coffee shops and restaurants are located in the Los Angeles area. Additional coffee shops are expected to be opened in 1969. The Bond marketing areas are in the Middle Atlantic States from Connecticut to Washington, D. C., North and South Carolina, and parts of Kansas and Oklahoma. The New York and Philadelphia metropolitan areas are the two largest markets for Bond products. Eddy's marketing area includes North Dakota, Montana, Eastern Washington, Idaho, Utah and Wyoming.

The Company's products are sold both at wholesale and at retail. Bond products are principally sold at wholesale, with a portion sold through house to house retail delivery routes. The Van de Kamp's division distributes its products primarily through approximately 797 retail outlets, which are installations within supermarkets rather than separate stores. Of these three divisions, the Bond Baking Company division is the largest in terms of sales, having accounted for 59.8% of their combined sales in 1967. Van de Kamp's accounted for 29.2% of the 1967 sales of these three divisions and the Eddy Bakeries Company division accounted for 11.0%. Each of these divisions was profitable in 1967, but their respective contributions to net income were not proportionate to sales. It is estimated that the Bond Baking Company Division proportionately contributed less to net income than it did to sales and that the other two divisions proportionately contributed more to net income than they did to sales.

During 1967 sales of bread and rolls accounted for approximately 55% of the total sales of the Company's food production and processing divisions, and sales of cakes, cookies, frozen convenience foods, restaurant sales and miscellaneous and specialty items constituted approximately 45%. There is no significant seasonal variation in the sales volume of these divisions.

The principal ingredients purchased are flour, sugar, yeast, milk and shortening. Of these, flour is the most important, and flour purchases constitute approximately 51% of the value of all ingredients purchased by these divisions. Flour prices are volatile. The Company obtains its supplies from a variety of sources depending upon prices offered by the suppliers.

These divisions employ approximately 8,800 people, of whom approximately 86% are represented by various unions. Collective bargaining agreements covering approximately 75% of unionized employees are negotiated on a regional basis jointly with other bakeries operating in the regional area. Wage increases and other employee benefits granted in collective bargaining have been comparable to those granted by other major companies in the bakery industry. Relations with labor unions are generally satisfactory.

The Company's food business is highly competitive. While the Company is one of the larger companies in the baking industry, in each marketing area it competes with many local bakeries in addition to other major companies. In addition, severe price competition is encountered from sales of "house brand" bakery products by major supermarket chains.

The food production and processing divisions operate 34 plants located in 12 states and the District of Columbia, most of which produce a complete line of bakery products, although a few specialized plants produce only cakes and sweet goods or doughnuts. All plants are maintained in good operating condition. The larger plants are equipped with modern automated ovens and machinery.

A new frozen convenience food production plant with warehousing facilities is under construction for the Van de Kamp's division.

Three plants are leased, and one that is owned is located on leased land. The Company owns the land and buildings comprising the other plants and, with minor exceptions, all of the machinery and equipment in its plants. The Company owns approximately 3,050 motor vehicles of all types and leases an additional 450.

Overall, the Company's food production and processing capacity is adequate for its present needs, and upon completion of new facilities and modernization and automation of existing facilities it is anticipated that capacity will be adequate for the Company's foreseeable needs. Utilization of plants varies from day to day in each location, and the productive capacity of each plant is variable depending on the mix of products baked each day. Overall, the Company's bakeries operated at an estimated 65%-70% of normal capacity during each of 1966 and 1967; although 1967 production was greater, capacity in 1967 was also greater. In addition to normal capacity, emergency capacity is available through the use of overtime and 7-day weeks. Bakery products generally have a very short shelf life. Since most products not sold on the day for which they were baked are returned to the Company, daily control of production to coincide with the following day's demand is of great importance in achieving adequate profit margins. Some of the cost of returned goods is recovered by selling these products as stale goods at reduced prices, and by using them to produce bread crumbs.

Major food production and processing operations are located at the following sites:

BOND

Bakeries

Albany, New York
Buffalo, New York
Enid, Oklahoma
Hartford, Connecticut
Hutchinson, Kansas
New York, New York(2)
Oklahoma City, Oklahoma
Philadelphia, Pennsylvania(3)
Rochester, New York
Spartanburg, South Carolina
Syracuse, New York
Washington, D. C.
Wichita, Kansas

VERNELL'S

Seattle, Washington
Candy Plant
Hol-Grain Plant

VAN DE KAMP'S

Southern California

Bakery
Retail Bakery Outlets(648)
Frozen Food Plant
Coffee Shops and Restaurants(14)

Seattle, Washington

Bakery
Retail Bakery Outlets(149)

EDDY

Bakeries

Billings, Montana
Bismarck, North Dakota
Boise, Idaho(2)
Butte, Montana
Grand Forks, North Dakota
Great Falls, Montana
Havre, Montana
Helena, Montana
Missoula, Montana
Ogden, Utah
Pocatello, Idaho
Yakima, Washington

Convenience Store Operations

The Company's Li'l General Stores Division operates convenience stores, most of which are located in the Southern and Southeastern United States. On December 13, 1968, the Li'l General Division

had in operation a total of 380 convenience stores, including 23 stores operated by franchisees, located in the following States:

<u>State</u>	<u>Number of Convenience Stores</u>
Florida	236
North Carolina	70
Louisiana	32
Minnesota	15
Alabama	12
Pennsylvania	9
Mississippi	6

The Li'l General convenience stores are small, self-service markets primarily handling rapid turnover items needed by housewives between major trips to supermarkets. Principal sales include cold beverages, dairy products and bread. In addition to foods, the stores sell drug and household items, and rent household equipment, such as floor polishers. The Li'l General stores are located in geographically separate areas, each served by a division office. Individual stores are located conveniently to dense residential areas and on routes of homeward-bound traffic. The stores are open 365 days a year from at least 7:00 A.M. until 11:00 P.M. Some stores are open for longer hours. Convenience store prices are higher than those of supermarkets.

A high degree of control is retained by the Company over the operations of the 23 franchised Li'l General Stores, all of which are located in Minnesota, Pennsylvania and North Carolina. Results from franchising operations have been favorable.

The Li'l General Division does no warehousing, but buys from wholesalers in its areas of operation. Accounting, purchasing, merchandising and advertising are under central control and are accomplished at the Li'l General Division headquarters in Tampa, Florida.

The Li'l General Division also operates 24 drive-in dairy stores in Florida and, through subsidiaries, is engaged in wholesale produce distribution on the west coast of Florida.

The Li'l General Division and the Company's subsidiaries operated as part of the Li'l General Division employ approximately 1,300 persons.

The convenience store industry includes several chains larger than the Li'l General Division. These and smaller chains are highly competitive with Li'l General. In addition, major supermarkets and small food stores compete with the business of Li'l General. In the areas of its principal operations, the Li'l General Division is one of the chief operators of convenience stores.

The Company owns trademarks for the name "Li'l General" and its Li'l General design; "Lady Anne", in conjunction with certain of Li'l General bread products; "Golden Krust", for use in conjunction with certain other Li'l General bread products; and "Farm-N-Town", for use in promotion of Li'l General dairy stores.

It has been the policy to lease Li'l General stores. While the Company owns Li'l General's building and attached store, other real estate is purchased only to facilitate the acquisition of locations on which to build stores which will ultimately be sold to others and leased back by the Company. Leases are generally for fifteen years, and most contain renewal options for five or ten years. Most leases are for fixed rentals, but, in some leases, the fixed rental is increased if gross sales in the particular store exceed a pre-established amount. Total lease payments for the year ending October 28, 1967, aggregated \$1,815,560.

In the aggregate, the buildings, fixtures, equipment and inventory of Li'l General, either owned or leased, are considered in good condition.

Tourism Operations

Yellowstone Park Company ("Yellowstone") operates hotels, inns, lodges, restaurants and other facilities in Yellowstone National Park, Wyoming, the oldest and largest of America's national parks. Its activities within the Park also include the providing of limousine and bus transportation, operation of gift shops, riding stables, fishing and boating facilities and gasoline service stations under a joint venture agreement under which it receives 55% of the profits. Yellowstone's facilities include overnight accommodations of various types for a maximum of 8,777 people and restaurants with a total seating capacity of 2,867 persons. Yellowstone's business is highly seasonal since most persons visit the Park during the period from June through September. In 1967, 94.2% of Yellowstone's revenue was generated during that four-month period. The occupancy rate for overnight accommodations from mid-June through Labor Day was approximately 80%. Employees total 2,500 during the summer months but are reduced to fewer than 100 during the winter. Competition in Yellowstone's immediate operating area is limited since it has a preferential right to provide accommodations and services within the Park area. Another concessioner has food service operations in certain locations in the Park and competition is provided from hotels, inns, and lodges located in the vicinity of the Park. Gross sales and operating revenues for the fiscal year ending December 30, 1967 were \$6,387,000, and for the forty weeks ending October 5, 1968, amounted to \$6,693,000.

Everglades Park Co., Inc. ("Everglades") operates facilities in Everglades National Park in Florida, America's third largest national park. Its operations include overnight accommodations, food and beverage facilities, boat and boating equipment sales and rentals, a gasoline service station, trailer park facilities, and the sale of general merchandise including sports equipment, photographic supplies, drugs, books and similar items. Everglades' overnight accommodations in the Park have a maximum capacity of 600 persons and its restaurant facilities have a maximum seating capacity for 265 persons. While Everglades operates throughout the year, its peak season is normally during the four-month period from late December through mid-April, which accounted for over 50% of gross revenues in fiscal 1967. The occupancy rate for overnight accommodations during that peak season was over 90%. Everglades is the only concessioner operating within the Everglades National Park; however, competition exists from the many resort areas of southern Florida. Gross sales and operating revenues for the year ending December 30, 1967 were \$1,198,000, and for the forty weeks ending October 5, 1968 amounted to \$1,187,000.

Yellowstone and Everglades both operate through concession contracts with the United States Department of the Interior, National Park Service, under which all rates and prices charged to the public are subject to Government regulation and approval. Yellowstone operates under a thirty year contract which expires September 30, 1996 and requires Yellowstone to have expended no less than \$10,000,000 by June 1975 in construction and renovation of facilities, of which \$3,400,000 has already been expended. If such expenditures are not made, the contract may be terminated on September 30, 1975. Similar expenditures are required during the second ten year period of the contract. Yellowstone must pay a franchise fee to the government equal to 1½% of its gross receipts under this contract. Everglades' contract expires on December 31, 1975 and obligates it to pay the government a fixed fee of \$3,700 per year for use of government-owned structures plus a franchise fee of 1½% of gross revenues.

The Company's Frontier West Division consists of land owned at five locations in Arizona, New Mexico and Colorado, acquired for development as a tourism project. Construction is substantially completed at one site on U. S. Highway 66 near Houck, Arizona. Completed facilities at this location include replica of a frontier fortress, a gasoline station, a restaurant and an Indian trading post and general store. A trailer park is planned for completion during the 1969 season. Similar types of facilities are contemplated for three other locations. Frontier West also operates the Summit House Restaurant at Sandia Peak, New Mexico.

Investment in Armour

On January 28, 1969 the Company owned a total of 1,002,500 shares of Common Stock of Armour, approximately 16.5% of Armour's outstanding common stock for which it paid an aggregate of \$59,232,000 in cash plus a 10-year warrant for 25,000 shares of the Company's Common Stock which is now exercisable for 184,146 shares at \$28.51 per share. See "Recent History". Armour has described itself in a Registration Statement filed with the Securities and Exchange Commission

which became effective on May 3, 1968, as "the second largest meat packer in the United States and among the leaders in the field of household soaps, fatty chemicals, hydraulic turbines, governors and valves, ship propellers, electronic force measurement equipment and desalination systems." For a description of Armour see Annex A.

Principal Shareholders

On December 16, 1968 the only voting securities of the Company owned of record or beneficially by any person who owned of record, or was known by the Company to own beneficially, more than 10% of any class of such securities, were 437,700 shares of Common Stock of the Company held both of record and beneficially by The Goldfield Corporation, 720 Fifth Avenue, New York, New York, which was 17% of the total number of shares of Common Stock outstanding.

On December 16, 1968 all officers and directors of the Company as a group beneficially owned, directly or indirectly, 13,640 shares of Common Stock of the Company, .53% of the total number of shares of the Company's Common Stock outstanding, and \$1,500,000 principal amount of the Company's 5% Convertible Subordinate Notes.

Five of the Company's ten directors are directors of Goldfield and a sixth is an officer of Goldfield. Mr. Pistell is Chairman of the Board of the Company and Chairman of the Board and President of Goldfield. By virtue of this representation on the Company's board and Goldfield's ownership of the Company's stock, Goldfield may be deemed a parent of the Company. The Company's directors as a group, and Mr. Pistell, by virtue of his positions as Chairman of the Board and Chief Executive Officer of both the Company and Goldfield, may also be considered parents of the Company.

Comparative Operational Results

In 1967 the Company's tourism operations and convenience store operations contributed proportionately somewhat more to profits than to sales, while food production and processing operations contributed proportionately somewhat less to profits than to sales.

Pending Litigation

On May 21, 1965, a suit was filed in the United States District Court for the Southern District of New York, entitled *Anthony Ferraioli, Plaintiff, v. Hyman B. Cantor, HY C Corp., Denison Mines Ltd., Goldfield Corp. and General Baking Company, Defendants*. Plaintiff seeks to bring this action on behalf of himself and all other persons similarly situated alleging that the sale of General Host Corporation stock by Denison Mines Limited involved a violation of Section 10 of the Securities Exchange Act of 1934 and Rule 10b-5 of the Rules and Regulations thereunder in that plaintiff and others sold the Company's stock at prices of approximately \$9.00 per share without knowledge that Denison Mines Limited was negotiating to sell its shares at a price of \$12.50 per share. Plaintiff seeks to recover from the defendants other than the Company in excess of \$2,000,000 representing the difference between the alleged market price and the amount paid by Goldfield to Denison Mines Limited. The suit is in the pre-trial motion and discovery stage.

Also on May 21, 1965 an action was instituted in the Supreme Court of the State of New York, New York County, entitled *Vincent Ferraioli, Plaintiff, v. Hyman B. Cantor, HY C Corp., Denison Mines Ltd., Goldfield and General Baking Company, Defendants*. This plaintiff seeks the same recovery as in the above mentioned suit in the United States District Court, with the distinction, however, that he asserts one cause of action on behalf of and for the benefit of the Company. In this suit, plaintiff has been unable to sustain jurisdiction over Denison Mines Limited and the case has been dormant for over a year and a half.

Both of these actions have been dismissed as against defendants Hyman B. Cantor and HY C Corp. without contest by the plaintiffs. A compromise of the above two actions involving the remaining defendants is presently being arranged subject to approval of the courts. It is expected that the obligations of the Company under the terms of the compromise arrangement will be nominal.

On or about October 13, 1966 an action was commenced in the Supreme Court of the State of New York, County of New York, entitled, *Vincent Ferraioli, Plaintiff, against Richard C. Pistell, P. Richard Clark, C. Whitcomb Alden, Jr., Harris J. Ashton, Joseph P. Binns, John P. Dahl, William P. Howe, Jr., J. Elroy McCaw, Edwin C. McDonald, Leslie W. Scott, The Goldfield Corporation and*

General Baking Company, Defendants. Plaintiff seeks to bring this action as a derivative action as a stockholder of the Company. The action seeks to set aside the sale by Goldfield to the Company of all of the outstanding capital stock of Yellowstone Park Company, and Everglades Park Co., Inc., and the Frontier West locations, and to have the purchase price received by Goldfield returned to the Company. Plaintiff also seeks an accounting for alleged damages suffered by the Company and for alleged profits made by the defendants other than the Company as a result of such purchase. In the opinion of Messrs. Rogers, Hoge & Hills, New York, N. Y., special counsel to the Company, this litigation should have no material adverse financial effect upon the Company.

On March 13, 1968 actions were filed by the United States in the United States District Court for the Eastern District of Pennsylvania charging the Company and two of its employees, together with other baking companies and individuals, with civil and criminal violations of the Sherman Antitrust Act by having allegedly set bread prices in the Philadelphia market. The Company and its employees have asked leave of the court to enter pleas of nolo contendere which, if accepted, could result in fines being imposed and the Company being ordered to cease the activities complained of. It is possible that private plaintiffs may bring actions against the Company for treble damages allegedly incurred by reason of the charged violations. One such private law suit, a class action, was commenced on April 3, 1968 in the United States District Court for the Eastern District of Pennsylvania by the City of Philadelphia in the School District of Philadelphia. No specific dollar amount in damages is asserted in that action. After consultation with counsel, management believes that the probable outcome of this litigation will not have a materially adverse financial effect upon the Company.

For a description of litigation concerning the Exchange Offer, see pages 8 and 9 of this Prospectus.

Description of Common Stock

The Company's common stock, \$1.00 par value per share, is its only outstanding class of stock. The holders of common stock are entitled to share in the profits, if any, of the Company by way of dividends when, as and if declared by the Board of Directors. Upon liquidation the holders of the common stock will be entitled to receive pro rata according to the number of shares owned the net assets of the Company available for distribution to the shareholders. All of the presently outstanding common stock is fully paid and non-assessable. The holders of the Company's common stock have no pre-emptive, subscription or conversion rights. The Company also has authorized 1,000,000 shares of Preferred Stock, \$1.00 par value per share, issuable in series with terms, dividend rates and liquidating preferences to be set by the Directors. No such Preferred Stock is outstanding.

Non-Cumulative Voting

The holders of the common stock have full voting power for all purposes and are entitled to one vote per share. They do not have cumulative voting rights in the election of directors, which means that the holders of more than 50% of the common stock may, if they choose to do so, elect all of the directors and the holders of the remaining shares could not, in that event, elect any directors.

Dividends

The payment of dividends will depend upon earnings and capital requirements of General, general business conditions and other factors; there are no present plans to pay cash dividends. The payment of dividends on the common stock is restricted by the provisions contained in the Company's Loan Agreement relating to its 5¼% Notes payable to insurance companies, the Indenture relating to its 6% Cumulative Income Subordinated Debentures, and its twenty million dollar Loan Agreement with three banks. As of October 5, 1968, approximately \$3,503,000 of retained earnings was available for dividends. See Note 5 to the Company's consolidated financial statements elsewhere herein.

Markets

The Company's common stock is listed for trading upon the New York and Pacific Coast stock exchanges.

Transfer Agents and Registrars

The Transfer Agents for the Company's common stock are Marine Midland Grace Trust Company of New York, New York, N. Y., and Union Bank, Los Angeles, California, and the Registrars therefor are the Bankers Trust Company, New York, N. Y. and United California Bank, Los Angeles, California.

Management

The directors and executive officers of General are:

<u>Name</u>	<u>Office</u>
Richard C. Pistell	Chairman of the Board of Directors and Chairman of the Executive Committee
Harris J. Ashton	Director, President and member of the Executive Committee
C. Whitcomb Alden, Jr.	Director—Financial consultant and private investor, Asheville, North Carolina
Joseph P. Binns	Director—Associated with Loeb, Rhoades & Co., New York, N. Y.
William F. Downey	Director, Secretary and member of the Executive Committee
Weston E. Hamilton	Director—Senior Vice President Zion's First National Bank, Salt Lake City, Utah
William P. Howe, Jr.	Director—President, Howe Nurseries, Inc., Pennington, New Jersey
J. Elroy McCaw	Director—President, Metropolitan Radio Corporation, President KTVW, Inc., Seattle, Wash.
Edwin C. McDonald	Director—Chairman of the Board, Royal Bank of Canada Trust Company, New York, N. Y.
Leslie W. Scott	Director—President, Fred Harvey, Chicago, Ill.
M. Frank Cummings	Vice President—Operations
John M. Kingsley, Jr.	Vice President—Finance and Treasurer
Delbert O. Fuller, Jr.	Vice President—Marketing
Timothy T. Day	Vice President—Acquisitions
John P. Glynn	Controller

Mr. Pistell has been Chairman of the Board of General since May, 1965. He is Chairman of the Board and President of Goldfield and, in addition, acts as a financial consultant to other companies. He was Chairman of the Board of Pistell, Inc., an investment banking concern, and its predecessor companies from 1959 to 1963.

Mr. Ashton has been President of General since December 6, 1967, and a Director since May 1965. He is a member of the law firm of Lovejoy, Wasson, Lundgren & Ashton of New York City, counsel for the Company, with which he has been associated since 1962, but does not participate in fees paid to Lovejoy, Wasson, Lundgren & Ashton by General.

Mr. Cummings has been Vice President of General since January, 1966, and became Vice President—Operations in September, 1968. Previously he was with General Foods Corporation for thirty-one years, in various capacities, most recently as Assistant Corporate Controller.

Mr. Kingsley has been Vice President and Treasurer of General since January, 1966, and became Vice President—Finance in September, 1968. He was with Price Waterhouse & Co. from December, 1957 to May, 1962, and thereafter Dillon, Read & Co. Inc.

Mr. Fuller has been Vice President—Marketing since July, 1966. During 1962 and 1963 he was with the Curtis Publishing Company. From November, 1963, to September, 1964, he was with C. J. LaRoche & Co., and thereafter he was Vice President of Dancer-Fitzgerald-Sample, Inc.

Mr. Downey has been a Director of General since February, 1968, and Secretary of General since December, 1967. He is also Secretary of Goldfield. He is a partner in the law firm of Lovejoy, Wasson, Lundgren & Ashton, with which he has been associated since January, 1964. Previously, from September, 1959, he was with Morgan Guaranty Trust Company of New York.

Mr. Day has been Vice President—Acquisitions since July 1, 1968. Prior to that date he was Controller for the eastern region of the sales and service division of Trans World Airlines, Inc. where he had been employed since graduating from the Harvard Business School in June, 1964.

Mr. Glynn joined General on September 24, 1968. He was associated with the accounting firm of Price Waterhouse & Co. for more than five years prior to such date.

Messrs. Pistell, Ashton, Alden, Howe, and McCaw are also Directors of Goldfield.

Remuneration

The following information is furnished as to all direct remuneration paid by the Company and its subsidiaries during the fiscal year 1968 to each director of the Company whose aggregate direct remuneration exceeded \$30,000, to each of the three highest paid officers whose aggregate direct remuneration exceeded that amount, and to all directors and officers as a group, for services in all capacities; and the total annual benefits proposed to be paid upon retirement under the Retirement Annuity Plan to such directors and officers.

<u>Name of individual or number of persons in group</u>	<u>Capacities in which remuneration was received</u>	<u>Aggregate direct remuneration</u>	<u>Estimated Annual benefits upon retirement</u>
Richard C. Pistell	Chairman of the Board, Director and Chairman of the Executive Committee	\$ 75,000	\$ 49,838
Harris J. Ashton	President, Director and member of the Executive Committee	\$ 80,000	\$ 57,083
M. Frank Cummings	Vice President and Controller; and Vice President—Opera- tions	\$ 36,635	\$ 9,161
18 Directors and Officers as a group including those named above	As Directors and Officers	\$364,192	\$153,444

The estimated annual retirement benefits shown in the table are payable beginning at normal retirement date and are based upon the assumptions that the prospective recipients will remain in the employ of the Company until age 65, that their future compensation will be the same as that currently paid, and that they will continue to contribute approximately 3% of their first \$6,600 of annual compensation and approximately 5% of annual compensation in excess of \$6,600. Directors, as such, do not participate in the Plan.

Commencing January 1, 1969, Messrs. Pistell and Ashton are each receiving salaries at an annual rate of \$100,000.

The Company has divisional incentive plans in effect at four of its divisions, providing for payments of annual bonuses to key employees, including managers and superintendents of the various plants. Bonuses are calculated either on a percentage of the annual operating profits before taxes of the respective units or on the increase in such operating profits over the prior year. The amounts so payable for 1968 have not yet been determined, but none will be payable to any officer or director. In 1967 incentive plans were in effect at two divisions under which bonuses of \$217,135 were paid, none of which was paid to any officer or director.

The law firm of Lovejoy, Wasson, Lundgren & Ashton, of which Messrs. Harris J. Ashton, President, a member of the Executive Committee, a director, a stockholder and a holder of 5% Convertible Subordinate Notes of the Company, and William F. Downey, Secretary, a member of the Executive Committee, a director and a stockholder of the Company, are partners, received \$115,070 for services as General Counsel for the Company for the year 1967. Mr. Ashton became President of the Company on

December 6, 1967 and thereafter has devoted substantially all of his time to that position. He received no direct remuneration from the Company for his services as President during 1967, but during 1968 he was compensated directly by the Company and did not share in fees charged to the Company by Lovejoy, Wasson, Lundgren & Ashton. Legal fees paid to Lovejoy, Wasson, Lundgren & Ashton for the first nine months of 1968 were \$155,538.

Stock Options

The Company has in effect a key employee stock option plan called the *1964 Stock Option Plan* (the "Plan") under which options have been and may hereafter be granted that are qualified stock options as defined in Section 422 of the Internal Revenue Code, as amended. The Plan was amended in 1966 and further amendments were adopted by the Board of Directors in November, 1968, but not as yet submitted for the necessary shareholder approval. A total of 400,000 shares of Common Stock have been reserved from time to time for issuance upon exercise of options granted or to be granted under the Plan. Option exercise prices may not be less than the fair market value of the shares at the time the option is granted. No individual may purchase more than 80,000 shares pursuant to options granted under the Plan. Options are valid for a period of five years from the date of grant and are not transferable except upon death by will or the laws of descent. An optionee may not exercise an option unless he has been in the employ of the Company or a subsidiary for at least one year. If the shares acquired upon exercise of a qualified stock option are held for at least three years after exercise, the optionee will have realized no taxable income upon exercise of his option, and upon the sale of such shares he will realize a long-term capital gain.

At December 16, 1968, 155,900 shares of Common Stock were subject to options granted to employees. The range of exercise prices was from \$8.1875 to \$40.0625 per share, and these options expire at various dates from July 23, 1970 to December 4, 1973.

As of December 16, 1968 officers and directors held stock options as follows:

Name	Number of Shares	Option Price	Expiration Date
Richard C. Pistell	20,000	\$ 8.1875	7/23/70
	20,000	17.9375	8/19/71
Harris J. Ashton	30,000	31.75	2/14/73
	10,000*	40.0625	12/ 4/73
M. Frank Cummings	3,000	19.625	4/14/71
	3,500	32.875	10/10/73
All Officers and Directors as a group (including those listed above)	97,000	8.1875- 40.0625	7/23/70- 12/ 4/73

* This option may not be exercised until the recent amendments to the Plan have been approved by shareholders.

As of December 16, 1968 the 155,900 shares subject to outstanding stock options represented 6.1% of the Company's outstanding shares. Of the total shares under option officers and directors held options for 97,000 shares representing 3.8% of the shares outstanding.

DESCRIPTION OF WARRANTS

The statements under this caption relating to the Warrants, a specimen of which is on file with the Securities and Exchange Commission, are summaries and do not purport to be complete. The terms of the Warrants are incorporated herein by reference and the summaries are qualified in their entirety thereby.

The Warrants will be issuable in registered form to purchase the number of shares of General Common Stock set forth thereon at an exercise price of \$40 per share. The exercise price of the Warrants may be reduced from time to time at the discretion of General's board of directors for limited periods (of not less than twenty-one days) by an amount not in excess of 33 1/3% of the exercise price then in effect as an inducement for exercise of the Warrants when deemed appropriate for the Company to obtain the cash proceeds resulting therefrom. (The purpose of this provision is to benefit General and its equity holders by making it possible to induce Warrant holders to exercise their Warrants when this appears to the Directors the most economical or otherwise desirable way to raise new equity capital, if it should be considered necessary or desirable to raise new equity capital.)

The principal amount of any of the Debentures held by a Warrant holder may be applied by him toward payment of the exercise price of the Warrant.

The number of shares of Common Stock issuable upon exercise of the Warrants will be subject to adjustment in case of a split, reverse split or other reclassification of Common Stock; or if rights or warrants are issued to all holders of Common Stock entitling them to purchase shares of Common Stock at a price per share less than the then current market price; or if any other securities including General Common Stock issued as a dividend or assets (other than cash payable out of consolidated earnings or earned surplus) are distributed to all holders of Common Stock. No adjustment is required if General otherwise issues, in exchange for cash, property or services, shares of Common Stock or any security carrying rights to acquire Common Stock. Upon exercise, no adjustment for dividends will be made.

If General consolidates with or merges into or sells its assets to another corporation, and General is not the continuing corporation in such consolidation, merger or sale of assets, a holder of a Warrant will be entitled to receive, upon the exercise thereof, the securities or property to which a holder of a number of shares of Common Stock then deliverable upon the exercise of such Warrant would have been entitled to receive upon such consolidation or merger.

Fractional shares of Common Stock will not be issued upon exercise of Warrants, but General will, in lieu thereof, either make a payment in cash based on the exercise price of the Common Stock purchasable upon the exercise of the Warrants, or issue scrip certificates (of such duration as determined by the Board of Directors) evidencing such fractional interest, which certificates may be combined and exchanged for shares of Common Stock of General.

Warrants will be exercisable upon presentation and surrender thereof together with the Subscription Form thereon duly executed at any time on or before January 31, 1979, at the corporate trust office of Franklin National Bank or Union Bank (the "Agents"), and upon payment of the exercise price. Warrants may be divided and the transfer thereof may be registered at the corporate trust office of the Agents. The right to subscribe to all or less than all of the shares covered by any Warrant may be transferred. Until a Warrant is exercised, the holder will not be entitled to any of the rights of a shareholder of General.

A certificate in bearer form for one-half of a Warrant will be issued to each Armour stockholder who tenders an odd number of shares of Armour stock. These half-Warrants will be exercisable only in pairs, but will otherwise have the same terms and conditions as full Warrants.

General has applied for listing of the Warrants on the American Stock Exchange and on the Pacific Coast Stock Exchange.

DESCRIPTION OF DEBENTURES

Set forth below is a description of the basic terms of the 7% Subordinated Debentures due February 1, 1994 ("Debentures"). The statements under this caption relating to the Debentures and the Indenture between the Company and Franklin National Bank dated as of January 22, 1969 ("Indenture"), copies of which are on file with the Securities and Exchange Commission, are summaries and do not purport to be complete. The provisions of the Indenture and the Debentures are incorporated herein by reference and the summaries are qualified in their entirety thereby. Debentures may be used at their principal amount in payment for General Host Common Stock upon exercise of Warrants.

Form. The Debentures will be issuable as registered Debentures without coupons in denominations of \$60 and multiples of \$60, denominations of \$100 and multiples of \$100, and denominations of \$1,000, \$10,000 and such other denominations as the Company may determine.

Maturity and Interest. The Debentures will mature on February 1, 1994 and will bear interest at the rate of 7% per year from March 1, 1969, payable semi-annually on August 1 and February 1 of each year, commencing August 1, 1969. Interest on the Debentures will be payable to the persons in whose names the Debentures are registered at the close of business on the preceding July 15 or January 15. The Debentures are payable both as to principal and interest at an office or agency maintained by the Company in the Borough of Manhattan, New York, New York, and are direct unsecured obligations of the Company.

Optional Redemption. The Debentures will not be redeemable prior to February 1, 1974, and thereafter will be redeemable at the option of the Company, as a whole or from time to time in part, upon not

less than 30 days notice, at the redemption prices set forth below (expressed in percentages of the principal amount) together in each case with accrued interest to the redemption date during the 12-month period beginning on February 1 of each of the following years:

Year	Redemption Price	Year	Redemption Price
1974	105 %	1983	102 $\frac{1}{4}$ %
1975	104 $\frac{5}{8}$ %	1984	102 %
1976	104 $\frac{1}{4}$ %	1985	101 $\frac{3}{4}$ %
1977	103 $\frac{7}{8}$ %	1986	101 $\frac{1}{2}$ %
1978	103 $\frac{1}{2}$ %	1987	101 $\frac{1}{4}$ %
1979	103 $\frac{1}{4}$ %	1988	101 %
1980	103 %	1989	100 $\frac{3}{4}$ %
1981	102 $\frac{3}{4}$ %	1990	100 $\frac{1}{2}$ %
1982	102 $\frac{1}{2}$ %	1991	100 $\frac{1}{4}$ %

and thereafter at 100%.

The Indenture does not, however, preclude the Company from retiring Debentures through open market or negotiated transactions.

Subordination. The indebtedness evidenced by the Debentures (including principal, premium, if any, and interest) is subordinated in right of payment to all present or future Senior Indebtedness. "Senior Indebtedness" is defined to mean (a) indebtedness of the Company for money borrowed, (b) indebtedness incurred by the Company in the acquisition of any business, real property or other assets (except assets acquired in the ordinary course of the conduct of its usual business), (c) guarantees of indebtedness of subsidiaries at least 25% owned for borrowed money, and (d) renewals, extensions and refundings of such indebtedness; unless in any case it is provided that the particular indebtedness, renewal, extension or refunding is not superior in right of payment to the Debentures. Senior Indebtedness excludes indebtedness represented by the Company's 6% Cumulative Income Subordinated Debentures due December 1, 1990, and 5% Convertible Subordinate Notes due June 15, 1988.

In the event of any dissolution, winding up, total liquidation or reorganization of the Company (whether in bankruptcy, insolvency or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of assets of the Company or otherwise) all Senior Indebtedness will be paid, or provision made therefor in cash, before any payment is made on the Debentures. During the continuance of any default of which the Company and the Trustee shall have written notice on any Senior Indebtedness, the effect of which is to permit the holder of any such Senior Indebtedness to demand payment of the total amount of such Senior Indebtedness, no payment of principal of, premium, if any, or interest will be made on the Debentures. By reason of such subordination in the event of insolvency, creditors of the Company who are not holders of Senior Indebtedness or of the Debentures may recover less, ratably, than holders of Senior Indebtedness but may recover more, ratably, than holders of the Debentures.

Modification and Amendment. The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66 $\frac{2}{3}$ % in principal amount of the Debentures at the time outstanding, to modify the Indenture or any supplemental indenture or the rights of the holders of the Debentures; provided that no such modification may (i) extend the fixed maturity of any Debentures, or reduce the principal amount thereof, or reduce the rate or extend the time for payment of interest thereon, or reduce any premium payable on redemption thereof without the consent of the holder of each Debenture so affected, or (ii) reduce the aforesaid percentage of Debentures, the consent of the holders of which is required for any such modification, without the consent of the holders of all Debentures then outstanding.

Events of Default. An "Event of Default" is defined to mean: failure to pay principal and premium, if any, when due, either at maturity, upon redemption or otherwise; failure to pay interest when due for

30 days; failure to perform any other covenant in the Indenture for 60 days after notice; certain events of bankruptcy, insolvency or reorganization of the Company or any subsidiary; and any default on any Funded Debt of the Company or any subsidiary, if such default is not waived or cured and would permit acceleration of such Funded Debt. The Indenture provides that the Trustee shall, within 90 days after the occurrence of a default, give to the holders of Debentures notice of all uncured defaults known to it (the term default to include the events specified above without grace periods); provided that, except in the case of default in payment of principal, premium or interest in respect of the Debentures, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the Debentureholders.

The Company will be required to furnish to the Trustee within 120 days after the close of each fiscal year a statement of certain officers of the Company to the effect that a review of the activities of the Company has been made with a view to determining whether its obligations under the Indenture have been complied with and as to whether such officers have obtained knowledge of any default under the indenture during such fiscal year.

Rights on Default. The Trustee or the holders of 25% of the Debentures will be authorized to declare the principal of all Debentures due and payable upon the happening of any Event of Default specified in the Indenture, but the holders of a majority of the Debentures are authorized to waive any default, other than a default in payment of principal, interest or premium, and rescind such declaration if the default is cured. Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Debentureholders, unless such Debentureholders have offered to the Trustee reasonable indemnity. Subject to such provision for indemnification, the holders of a majority in principal amount of the Debentures at the time outstanding have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee.

Aggregate Principal Amount. There will be no limit as to the aggregate principal amount of Debentures to be issued from time to time under the Indenture. The Company may issue Debentures for purposes other than the Exchange Offer. Holders of all Debentures issued under the Indenture will be included in the same class for the purpose of ascertaining all rights and obligations arising under the Indenture.

Exchange Listing. The Company has applied for listing of the Debentures on the New York Stock Exchange and on the Pacific Coast Stock Exchange.

LEGAL OPINIONS

Legal matters in connection with the Debentures and Warrants offered hereby are being passed upon for the Company by Messrs. Lovejoy, Wasson, Lundgren & Ashton, 250 Park Avenue, New York, N. Y. 10017, and for the Dealer Managers by Messrs. Holtzmann, Wise & Shepard, 30 Broad Street, New York, N. Y. 10004 and Goldfeld, Charak, Tolins & Lowenfels, 711 Fifth Avenue, New York, New York 10022.

EXPERTS

The consolidated financial statements of General Host Corporation included in this Prospectus and the schedules included in or incorporated by reference in the Registration Statement have been so included or incorporated by the Company in reliance upon and to the extent set forth in the opinions of Price Waterhouse & Co., independent accountants, and Bogue, Compton & Vass, independent accountants, and on the authority of said firms as experts in auditing and accounting.

OPINIONS OF INDEPENDENT ACCOUNTANTS

To the Directors and Stockholders of
General Host Corporation

In our opinion, based on our examination and the reports mentioned below of other independent accountants, the accompanying consolidated balance sheet and related consolidated statement of retained earnings, together with the consolidated statement of income appearing elsewhere herein, present fairly the financial position of General Host Corporation and its subsidiaries at December 30, 1967 and the results of their operations for the five fiscal years then ended, in conformity with generally accepted accounting principles. These principles were consistently applied, except for the change, which we approve, in the method of computing depreciation described in Note 8 to the consolidated financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Li'l General Stores, Inc. for the four fiscal years ended October 29, 1966, which statements were examined by other independent accountants whose reports thereon have been furnished to us.

PRICE WATERHOUSE & CO.

New York, N. Y.
February 9, 1968

(Except as to the merger referred to in Note 1
for which the date is July 19, 1968 and Note 11
for which the date is September 9, 1968)

To the Board of Directors of
Li'l General Stores, Inc.

We have examined the consolidated balance sheet of Li'l General Stores, Inc. and its subsidiaries as of October 29, 1966 and the related consolidated statements of income and retained earnings for the four years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements (not presented separately herein) present fairly the consolidated financial position of Li'l General Stores, Inc. and its subsidiaries at October 29, 1966 and the results of their operations for the four years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

BOGUE, COMPTON & VASS

Tampa, Florida
December 8, 1966

**GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES**

CONSOLIDATED BALANCE SHEET

ASSETS

	December 30, 1967	October 5, 1968 (unaudited)
Current Assets		
Cash	\$ 8,765,665	\$ 7,278,576
Short-term and other marketable securities, at cost which approximates market value \$4,900,000) (Note 2)	—	4,170,845
Receivables, less allowance for doubtful accounts of \$172,000 and \$219,000, respectively	9,317,307	11,217,449
Inventories, at the lower of average cost or market (Note 4)	8,029,156	8,072,616
Prepaid expenses	921,734	956,211
Total current assets	<u>27,033,862</u>	<u>31,695,697</u>
Investments and Other Assets:		
Investment in Uncle John's Restaurants, Inc., at cost (approximate quoted market value \$4,900,000) (Note 2)	3,156,625	—
Investment in Armour and Company, at cost (approximate quoted market value \$7,369,000) (Note 2)	—	9,450,000
Other investments and miscellaneous assets	1,566,614	1,193,330
Total investments and other assets	<u>4,723,239</u>	<u>10,643,330</u>
Property and Plant, at cost (Note 8)		
Land	3,441,725	3,215,987
Buildings, Machinery and Equipment less accumulated depreciation of \$54,451,078 and \$56,335,177, respectively	36,468,770	37,922,775
Net property and plant	<u>39,910,495</u>	<u>41,138,762</u>
Goodwill (Note 1)	409,254	388,254
	<u>\$72,076,850</u>	<u>\$83,866,043</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	\$ 7,742,408	\$ 7,046,473
Accrued expenses	3,801,753	3,369,056
Current portion of long-term debt (Note 5)	2,076,536	2,559,960
Federal income taxes	812,280	998,146
Total current liabilities	<u>14,432,977</u>	<u>13,973,635</u>
Long-Term Debt: (Note 5)		
Notes payable to insurance companies	9,400,000	9,400,000
Notes payable to banks	3,500,000	9,650,000
6% cumulative income subordinated debentures, due December 1, 1990	9,284,500	9,284,500
Other	2,619,470	2,232,743
Total long-term debt	<u>24,803,970</u>	<u>30,567,243</u>
Deferred Federal Income Taxes (Note 7)	758,763	970,916
Unamortized Excess of Equity in Net Assets of Subsidiary Companies over Cost (Note 1)	<u>940,747</u>	<u>798,780</u>
Commitments and Contingent Liabilities (Notes 10 and 11)		
Stockholders' Equity:		
Common stock, \$1.00 par value, authorized 5,000,000 shares, issued 2,346,072 and 2,550,872 shares, respectively (Note 6)	9,085,244	2,550,872
Capital in excess of par value (Note 6)	2,366,714	14,298,998
Retained earnings per accompanying statement (Note 5)	19,688,435	22,945,599
	<u>31,140,393</u>	<u>39,795,469</u>
Less—Cost of 63,000 shares of common stock in treasury (Note 6)	—	2,240,000
Total Stockholders' Equity	<u>31,140,393</u>	<u>37,555,469</u>
	<u>\$72,076,850</u>	<u>\$83,866,043</u>

**GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES**

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Fiscal Year Ended Proximate to December 31,			40 Weeks Ended October 2, 1968 (unaudited)
	1965	1966	1967	
Retained earnings at beginning of period	\$17,621,445	\$14,548,411	\$17,154,324	\$19,688,435
Net income (loss) per consolidated statement of income	(2,414,919) (1)	2,712,327	2,713,924	3,182,096
	<u>15,206,526</u>	<u>17,260,738</u>	<u>19,868,248</u>	<u>22,870,531</u>
General Host Corporation:				
Cash dividends on preferred stock (\$4.50 per share)	(426,958)			
Cash payments on preferred stock	(231,157)			
Li'l General Stores, Inc.:				
Cash dividends on common stock		(106,414)	(179,813)	(90,219)
Net income of Li'l General Stores, Inc. for the two months ended December 31, 1967 (Note 1)				165,287
Retained earnings at end of period (Note 5)	<u>\$14,548,411</u>	<u>\$17,154,324</u>	<u>\$19,688,435</u>	<u>\$22,945,599</u>

(1) Restated to give effect to retroactive adjustment in 1967. See Note (d) to the consolidated statement of income and Note 3 to the consolidated financial statements.

GENERAL HOST CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—Basis of Consolidation

The consolidated financial statements include the accounts of the company and all of its subsidiaries. The company's equity in the net assets of the consolidated subsidiaries, as shown by their books, exceeded its investment therein at December 30, 1967 by \$1,719,842 of which \$779,095 is included in retained earnings and \$940,747 is included in unamortized excess of equity in net assets of subsidiary companies over cost in the consolidated financial statements. The comparable amounts at October 5, 1968 (unaudited) were \$2,573,754, \$1,774,974 and \$798,780, respectively.

On October 5, 1966 the company purchased from The Goldfield Corporation all of the issued and outstanding stock of Yellowstone Park Company and Everglades Park Co. Inc., and certain assets comprising the Frontier West project. The acquisition was treated as a purchase for accounting purposes and, accordingly, the results of their 1966 operations were included in the 1966 consolidated statement of income from the date of acquisition. The \$1,395,175 excess of the equity in net assets at the date of acquisition over the company's cost was recorded as a deferred credit in the balance sheet. Amortization of such excess in an amount equivalent to the loss of \$336,834 from the date of acquisition to December 31, 1966, was included in income for 1966 and the balance is being amortized over a period of nine years from January 1, 1967.

In January 1968 the company agreed to acquire all of the capital stock of Utah Parks Company in exchange for shares of the company's common stock. The number of shares to be issued will be based on the net asset value of Utah at the date of closing and is presently estimated to be 37,500 shares. The consummation of this transaction, is contingent upon Utah entering into a new concession contract with the National Park Service which is satisfactory to the company. Based on unaudited financial statements, the sales and net profit of Utah for the ten months ended October 31, 1968 were approximately \$1,772,000 and \$23,000, respectively.

On July 19, 1968 the company issued 661,279 shares of its common stock in exchange for all of the outstanding shares of Li'l General Stores, Inc. on the basis of nine-tenths of a share of General Host stock for each share of Li'l General stock. The transaction has been accounted for as a pooling of interests and, accordingly, the accounts of the two companies have been combined for all periods prior to the merger. The results of operations for the unaudited 40 week period ended October 5, 1968 includes the operations of Li'l General Stores, Inc. for the 40 weeks ended October 5, 1968 and the results of operations for the fiscal year ended December 30, 1967 includes the operations of Li'l General Stores, Inc. for the fiscal year ended October 28, 1967. Accordingly, Li'l General's net income of \$165,287 for the two months ended December 31, 1967 has been credited directly to retained earnings and has not been included in the consolidated statement of income.

Goodwill represents the excess of cost over net book value at dates of acquisition of subsidiaries of Li'l General Stores, Inc. and is being amortized over periods ranging from 15 to 18 years, representing the remaining composite life of the store leases acquired.

NOTE 2—Investments

During 1966 and 1967 the company purchased 917,875 shares of the common stock of Uncle John's Restaurants, Inc., representing approximately a 41% interest. On August 26, 1968, the company sold its entire holdings and realized a gain of \$818,270, after related federal income tax of \$365,000. The company has guaranteed bank loans of Uncle John's up to a maximum of \$400,000.

On August 16 and October 15, 1968, the company acquired 150,000 and 600,000 shares, respectively, of the common stock of Armour and Company from Gulf & Western Industries, Inc. for cash in the amount of \$44,400,000 and a ten year warrant to purchase 175,000 shares of the company's common stock at \$30.00 per share. The number of shares issuable under the warrant and the purchase price thereof have been adjusted to 184,146 and \$28.51, respectively, to reflect the dilution resulting from the issuance in October 1968, of \$47,400,000 of the company's 5% convertible subordinate notes. For accounting purposes, the warrant has been assigned a value of \$1,050,000 and the cost of the investment in the stock of Armour and Company increased thereby. During the period from November 1, 1968 to December 2, 1968 the company purchased an additional 252,500 shares of common stock of Armour and Company on the open market at an aggregate cost of \$14,832,259 or \$58.74 per share.

NOTE 3—Disposal of Unprofitable Facilities

In 1965 the Company established a reserve for estimated losses expected to result from the program for the discontinuation of unprofitable operations and the disposal of idle facilities in the amount of \$4,398,269, less related federal income tax reductions of \$1,907,000. Aggregate charges to the reserve, representing losses on disposal of

**GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

facilities and related expenses, amounted to \$391,269 in 1965, \$1,273,000 in 1966 and \$480,305 in 1967, all net of related federal income tax reductions.

Losses incurred in connection with the program, which has now been completed, have been less than original estimates and, accordingly, the remaining balance of \$624,695, less related federal income tax reductions of \$278,000, has been credited directly as a retroactive adjustment of the 1965 provision.

NOTE 4—Inventories

Inventories used in the determination of cost of sales were as follows:

	Raw Materials	Supplies	Finished Products	Total
December 26, 1964	\$2,220,901	\$2,386,779	\$2,444,101	\$7,051,781
December 25, 1965	1,998,895	2,218,330	2,937,142	7,154,367
December 31, 1966	1,856,186	1,986,597	3,817,413	7,660,196
December 30, 1967	1,749,997	2,140,913	4,138,246	8,029,156
October 5, 1968 (unaudited)	1,746,423	2,097,843	4,228,350	8,072,616

NOTE 5—Long-Term Debt

The notes payable to insurance companies bear interest at 5¼% and are payable in annual instalments of \$800,000 to 1977 with the balance of \$2,200,000 due in 1978. In January, 1969, the Company entered into an agreement with the insurance companies under which the 5¼% Notes will be repaid on August 29, 1969 if the proposed Exchange Offer to the Armour stockholders is consummated.

The 6% cumulative income subordinated debentures are subject to redemption through the operation of a sinking fund beginning in 1971 at the rate of \$450,000 principal amount each year.

The loan agreement relating to the 5¼% notes payable and the indenture relating to the 6% cumulative income subordinated debentures contain certain restrictions relating to the payment of dividends, the incurrence of additional indebtedness and the maintenance of working capital, as well as interest and sinking fund requirements on the debentures. As of December 30, 1967 and October 5, 1968 (unaudited) approximately \$2,561,000 and \$3,503,000, respectively, of retained earnings was not restricted as to the payment of dividends or interest on the debentures.

The notes payable to bank bear interest at the rate of 1% above the lending bank's "prime" interest rate and are payable in quarterly instalments of \$250,000 each, beginning September 15, 1968.

Other long-term debt includes notes payable of Yellowstone Park Company in the amount of \$700,000 secured by the pledge of its assets having an approximate book value of \$5,400,000 at December 30, 1967.

October 5, 1968 the aggregate maturities of long-term debt and sinking fund requirements for the years 1969 through 1973 were as follows:

1969	\$2,544,000
1970	2,167,000
1971	2,535,000
1972	2,491,000
1973	1,961,000

During October 1968 the company sold at par \$47,400,000 of its 5% convertible subordinate notes due June 15, 1988. The notes are convertible at any time into an aggregate of 1,755,555 shares of the company's common stock at the rate of \$27.00 per share. The company may, at its option, prepay the notes in whole or in part upon payment of a premium of 5% to June 15, 1969 and at reduced amounts thereafter.

On November 1, 1968, the company entered into a loan agreement with a group of banks under which the company may borrow up to \$20,000,000 on or before March 31, 1969 to purchase shares of common stock of Armour and Company. The borrowings will bear interest at the rate of 1% above the prime rate and be payable \$500,000 quarterly beginning May 1, 1969, with the balance payable on November 1, 1973. In addition, beginning in 1970, the company is required to make prepayments equal to 25% of the excess of net income, as defined, over the annual payments on all of the company's long-term debt. The agreement further provides that the company will not borrow in excess of \$6,000,000 of additional debt, unless satisfactorily subordinated to borrowings under the loan agreement.

**GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 6—Common Stock

Transactions in the common stock and capital in excess of par value accounts during the three years and unaudited 40 weeks ended October 5, 1968 were as follows:

	Common Stock		Capital in Excess of Par Value
	Shares	Amount	
Balance December 28, 1964	1,606,745	\$8,033,725	\$ 13,865
Stock options exercised	12,125	60,625	6,111
Balance December 25, 1965	1,518,870	8,094,350	19,976
Excess of proceeds over cost of treasury stock sold or issued under stock options	—	—	16,788
Balance December 31, 1966	1,618,870	8,094,350	36,764
Stock options exercised	34,135	170,675	122,191
Shares issued in exchange for stock of Uncle John's Restaurants, Inc.	31,788	158,940	476,811
Balance December 30, 1967	1,684,793	8,423,965	635,766
Shares issued in exchange for common stock of Li'l General Stores, Inc.	661,279	661,279	2,090,948
Estimated expenses of merger with Li'l General Stores, Inc.	—	—	(360,000)
Balance December 30 1967 as restated for pooling of interests	2,346,072	9,085,244	2,366,714
Conversion of Li'l General Stores, Inc. debentures, prior to merger	—	—	100,000
Additional expenses of merger with Li'l General Stores, Inc.	—	—	(19,544)
Stock options exercised	4,800	14,000	63,456
Reduction of par value from \$5.00 to \$1.00 per share	—	(6,748,372)	6,748,372
Shares sold in public offering	200,000	200,000	3,990,000
Issuance of warrant to purchase common stock (Note 2)	—	—	1,050,000
Balance October 5, 1968 (unaudited)	2,550,872	\$2,550,872	\$14,298,998

Transactions in the treasury stock account during the three years and unaudited 40 weeks ended October 5, 1968 were as follows:

	Shares	Amount
Balance December 28, 1964 and December 25, 1965	28,990	\$ 256,441
Shares purchased during year	10,000	157,949
Shares sold during year	(7,000)	(61,950)
Stock options exercised	(12,575)	(111,289)
Balance December 31, 1966	19,415	241,151
Stock options exercised	(19,415)	(241,151)
Balance December 30, 1967	—	—
Shares acquired in connection with merger of Li'l General Stores, Inc.	63,000	2,240,000
Balance October 5, 1968 (unaudited)	63,000	\$2,240,000

On March 28, 1968 the company's certificate of incorporation was amended to (a) increase the authorized common stock from 2,000,000 to 5,000,000 shares, (b) reduce the par value of the common stock from \$5.00 to \$1.00 per share and (c) reduce the stated capital at December 30, 1967 to \$1,684,793, representing the par value of the shares outstanding.

On July 11, 1968 the company's certificate of incorporation was amended to authorize the issuance of 1,000,000 shares of \$1.00 par value preferred stock and on October 10, 1968 the certificate of incorporation was further amended to increase the authorized common stock of the Company to 10,000,000 shares.

Under the company's Qualified Stock Option Plan, options may be granted to key employees at not less than the fair market value of the company's stock on the date of grant. The options become exercisable after one year of employment and expire five years after grant, but are not exercisable so long as there is outstanding any exercisable option previously granted if the option price on the previously granted option is higher than the option price of the new option. At October 5, 1968 (unaudited) 63,000 shares were available for granting additional options.

**GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes data concerning stock options:

Options outstanding at October 5, 1968 (unaudited):

Granted in	Number of Shares	Option price		Fair value at date of grant	
		Per Share	Total	Per Share	Total
1965	25,500	\$ 8.19-\$13.75	\$ 239,375	\$ 8.19-\$13.75	\$ 239,375
1966	31,500	16.75- 19.63	567,188	16.75- 19.63	567,188
1967	6,700	26.94	180,481	26.94	180,481
1968	33,000	31.75- 33.81	1,053,938	31.75- 33.81	1,053,938
	<u>96,700</u>		<u>\$2,040,982</u>		<u>\$2,040,982</u>

The number of shares with respect to which options became exercisable during 1965, 1966, 1967 and 1968 as follows:

Year becoming exercisable	Number of Shares	Option price		Fair value at date exercisable	
		Per Share	Total	Per Share	Total
1965	4,878	\$ 6.75-\$ 8.50	\$ 36,303	\$ 8.50-\$11.13	\$ 45,213
1966	75,875	6.75- 19.63	\$1,036,906	14.50- 19.63	\$1,209,625
1967	34,250	8.19- 26.94	\$ 480,588	16.00- 36.00	\$ 756,728
1968 (unaudited)	<u>30,000</u>	31.75	<u>\$ 952,500</u>	31.75	<u>\$ 952,500</u>

The number of shares with respect to which options were exercised during 1965, 1966, 1967 and 1968 as follows:

Year of exercise	Number of Shares	Option price		Fair value at date exercised	
		Per Share	Total	Per Share	Total
1965	12,125	\$ 6.75-\$ 7.25	\$ 86,969	\$ 9.13-\$15.13	\$ 174,257
1966	12,575	6.75- 13.10	\$ 92,026	13.81- 21.00	\$ 235,136
1967	53,550	7.25- 19.63	\$ 534,018	16.13- 40.13	\$1,286,494
1968 (unaudited)	<u>4,800</u>	13.75- 26.94	<u>\$ 77,456</u>	30.12- 37.12	<u>\$ 162,381</u>

No amounts have been reflected in the income accounts as a result of the grant or exercise of these options.

NOTE 7—Federal Income Taxes

Federal income taxes for 1966 and 1967 and the unaudited 40 week period ended October 7, 1967 are based on the results of operations for the applicable periods, whereas the company's actual tax liability for those periods has been reduced by \$1,104,000, \$228,000 and \$248,000, respectively, as a result of the current deductibility for tax purposes of losses incurred in the disposal of unprofitable facilities which were charged to the reserve provided therefor in 1965.

Included in federal income taxes for 1967 and the unaudited 40 week periods ended October 7, 1967 and October 5, 1968 are deferred taxes of \$593,000, \$418,000, and \$406,000, respectively, resulting from the use of accelerated depreciation methods for tax purposes and the straight-line method for financial reporting purposes.

The company follows the flow-through method of accounting for the investment tax credit and, accordingly, federal income taxes for 1964, 1967 and the unaudited 40 week periods ended October 7, 1967 and October 5, 1968 have been reduced by \$281,000, \$136,000, \$138,000 and \$576,000, respectively, representing the amount of allowable credit for the respective periods. At December 30, 1967 and October 5, 1968 (unaudited), the company had unused investment tax credit carry-overs amounting to approximately \$600,000 and \$144,000, respectively, available for tax reductions.

**GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 8—Property and Plant

	<u>December 30, 1967</u>	<u>October 5, 1968</u>
Property and Plant comprised:		(unaudited)
Buildings	\$31,143,655	\$31,061,814
Machinery and equipment	45,192,960	46,035,698
Automobiles and trucks	11,013,857	10,473,524
Construction in progress	808,267	3,607,714
Leasehold improvements	2,761,089	3,079,202
	<u>90,919,848</u>	<u>94,257,952</u>
Less—Accumulated depreciation and amortization	54,451,078	56,335,177
	<u>36,468,770</u>	<u>37,922,775</u>
Land	3,441,725	3,215,987
	<u>\$39,910,495</u>	<u>\$41,138,762</u>

Effective January 1, 1967 the Company, for financial reporting purposes, changed from an accelerated method to the straight-line method of computing depreciation while continuing to use accelerated methods for tax purposes. This change had the effect of decreasing depreciation expense for the year by approximately \$1,150,000 and, after provision for deferred federal income taxes, increasing net income by approximately \$600,000 or \$.26 per share.

Amortization of leasehold improvements is based on the length of the respective leases, or the useful life of the respective assets, if shorter. The estimated lives used in computing the depreciation provisions are as follows:

Buildings	10-50 years
Machinery and equipment	3-14 years
Automobiles and trucks	4- 6 years

Expenses for maintenance and repairs of capital assets are charged against current operations. The costs of renewals and betterments are capitalized.

Upon normal dispositions of assets for which composite reserves for depreciation and obsolescence are maintained, the cost of the assets, less any recoveries, is charged against the reserve for depreciation. In the case of abnormal disposition of assets or the sale or retirement of assets for which composite reserves are not maintained, the cost of the assets and the related accumulated depreciation are eliminated from the accounts and the resulting profit or loss is included in income.

GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 9—Employee Retirement Plan

The company has in effect a contributory retirement plan for the benefit of all eligible employees. Based on the opinion of the company's independent consulting actuary, the plan was fully funded at December 30, 1967 and October 5, 1968 (unaudited), and no contribution to the fund or charge to income was required during the three years and unaudited 40 weeks ended October 5, 1968, since the amount of the normal cost for each period was offset by actuarial gains.

NOTE 10—Commitments

At October 5, 1968 (unaudited) the company was party to various leases with minimum aggregate rentals of approximately \$29,193,000 payable over varying periods with an approximate annual cost of \$3,033,000 in 1969 and in reduced amounts in subsequent years.

Under its contract with the National Park Service, Yellowstone Park Company at October 5, 1968 (unaudited) was committed to expend an aggregate of not less than \$7,800,000 by June 30, 1975 on the construction and renovation of park facilities.

NOTE 11—Litigation

The company is currently the defendant in several lawsuits which, in the opinion of management and legal counsel, will not result in any significant liability to the company. In addition, subsequent to February 9, 1968 the company was named as a defendant in certain civil and criminal actions. In the opinion of management and legal counsel, the actions will not have any material adverse effect on the company's financial position.

NOTE 12—Supplementary Profit and Loss Information

	Fiscal Years			40 Weeks Ended October 5, 1968
	1965	1966	1967	(unaudited)
Maintenance and repairs, charged to:				
Cost of sales and service	\$2,864,227	\$2,440,407	\$3,104,663	\$2,288,991
Delivery, selling, advertising and administrative expense	3,470,494	2,755,370	3,130,600	2,453,725
	<u>\$6,334,721</u>	<u>\$5,195,777</u>	<u>\$6,235,263</u>	<u>\$4,742,716</u>
Depreciation and amortization, charged to:				
Cost of sales and service	\$3,153,948	\$2,644,007	\$2,419,505	\$2,245,952
Delivery, selling, advertising and administrative expense	1,865,124	1,524,488	1,594,180	958,051
	<u>\$5,019,072</u>	<u>\$4,168,495</u>	<u>\$4,013,685</u>	<u>\$3,204,003</u>
Taxes, other than federal income, charged to:				
Cost of sales and service	\$2,000,129	\$2,040,603	\$2,153,572	\$1,853,218
Delivery, selling, advertising and administrative expense	2,002,478	1,886,938	2,295,172	2,140,095
	<u>\$4,002,607</u>	<u>\$3,927,541</u>	<u>\$4,448,744</u>	<u>\$3,993,313</u>
Taxes, other than federal income, comprise:				
Unemployment insurance and federal old age benefits	\$2,748,019	\$2,786,080	\$3,146,760	\$2,636,426
Real estate and personal property	855,098	781,323	854,408	755,268
Auto, selling licenses and miscellaneous	399,490	360,138	447,576	601,619
	<u>\$4,002,607</u>	<u>\$3,927,541</u>	<u>\$4,448,744</u>	<u>\$3,993,313</u>
Rents and royalties, charged to:				
Cost of sales and service	\$1,182,530	\$1,480,787	\$1,848,872	\$1,358,374
Delivery, selling, advertising and administrative expense	2,973,193	3,310,070	4,276,502	3,708,478
	<u>\$4,155,723</u>	<u>\$4,790,857</u>	<u>\$6,125,374</u>	<u>\$5,066,852</u>

There were no management and service contract fees.

Note—Depreciation and amortization shown above include the following amounts relating to facilities disposed of:

	Fiscal Year 1965
Charged to:	
Cost of sales and service	\$548,450
Delivery, selling, advertising and administrative expense	261,555
	<u>\$810,005</u>

It was not practicable to determine maintenance and repairs, taxes, other than federal income taxes, and rents and royalties applicable to those facilities disposed of. The information for 1966, 1967 and 1968 excludes amounts relating to such facilities.

ANNEX A—DESCRIPTION OF ARMOUR AND COMPANY

Note: Because Armour has declined to provide General Host with further information concerning itself and because Armour has declined to permit its independent accountants to certify its financial statements quoted herein, the following information drawn from the most recent publicized sources may be incomplete or misleading and General Host can make no representation concerning its accuracy or completeness. See "Information Concerning Armour".

Description of Armour's Business

Armour has described itself in a Registration Statement filed with the Securities and Exchange Commission which became effective on May 3, 1968, as follows:

"[Armour] was incorporated under the laws of Illinois in 1900, and by merger into a subsidiary in 1960 became a Delaware corporation. Its business is divided into eight major segments, one of which it operates under the trade name, "Armour Foods," and seven of which are incorporated as wholly-owned subsidiaries. The subsidiaries are Armour Agricultural Chemical Company, Armour Grocery Products Company, Armour Industrial Chemical Company, Armour Industrial Products Company, Armour Leather Company, Armour Pharmaceutical Company and Baldwin-Lima-Hamilton Corporation.

"Armour Foods slaughters livestock and processes and buys and sells meats and animal products and their by-products. Armour Foods also manufactures or processes and buys and sells other food products, including poultry, eggs, butter, cheese, vegetable oils, margarine, salad oil and shortening. It is divided into two major operations. One consists of processed meat products, dairy and poultry products, and food service operations; the other consists of fresh meat and related products. Armour Foods markets its products under a number of trademarks, including "Armour Star," "Golden Star," "Ham What Am" and "Cloverbloom."

"Armour Agricultural Chemical Company is a major factor in the production and marketing of fertilizers. It is largely self-sufficient in the three basic fertilizer raw materials with its wholly-owned sources of phosphate and nitrogen and [Armour's] joint venture interest in a Canadian potash mining operation. It also markets ammonia and nitrogen solutions, ammonium nitrate, anhydrous ammonia, ammonium phosphate, triple-superphosphate and ground phosphate rock, along with a complete line of insecticides, weed killers and fungicides for agricultural use. These products are marketed primarily under the trademarks of "Vertagreen" and "Armagard." For further information concerning Armour Agricultural Chemical Company, reference is made to the second paragraph under the caption Recent Developments.

"Armour Grocery Products Company manufactures and markets soaps, detergents, shampoos, glycerine, industrial and household floor waxes, household ammonia, spray fabric sizing, and pizza mixes. It also markets shelf-size canned meats and pet foods which are manufactured by Armour Foods. Among its trademark items are "Dial" soaps and shampoos, "Princess" complexion soap, "Chiffon" liquid detergent, "Bruce" waxes, "Parsons" ammonia, "Magic" spray sizing, "Appian Way" pizza mixes, "Treet" and "Armour Star" canned meats and "Dash" pet foods.

"Armour Industrial Chemical Company produces and markets, primarily for industrial use, fatty acids, esters, nitrogen derivatives and other organic and inorganic chemicals, resins and polymers.

"Armour Industrial Products Company manufactures and markets coated abrasives, adhesives, bonded fibres, capliner and other resin coated products and pressure sensitive tape products.

"Armour Leather Company tans hides, and produces and markets shoe and specialty leathers and leather by-products and substitutes.

"Armour Pharmaceutical Company manufactures and markets ethical pharmaceuticals, including hormones, enzymes, hematologicals, and cardiovascular and nervous system drugs; veterinary biological pharmaceuticals; and antacid and antiperspirant ingredients. Its products include thyroid and the trademarked items "Chymar," "Chymoral" and "Biozyme" (systemic anti-inflammatory enzyme preparations) and "Acthar Gel" (ACTH).

"Baldwin-Lima-Hamilton Corporation manufactures and markets construction equipment, heavy machinery and industrial equipment, and a line of electronic equipment. It is divided into four major segments. The Industrial Equipment Division manufactures heavy equipment such as hydraulic turbines, hydraulic presses, governors and valves, ship propellers, pumps, heat exchangers and desalination systems. The Standard Steel Division manufactures weldless rings and flanges and steel specialties. The Construction Equipment Division manufactures a line of highway construction machinery and builds equipment for lumbering, mining, building construction and road maintenance. BLH Electronics, Inc. manufactures equipment for the electronic measurement of weight, pressure, strain and torque.

"[Armour] is the second largest meat packer in the United States according to published industry statistics. [Armour] believes that it is also among the leaders in the field of agricultural chemicals; household soaps; fatty chemicals; hydraulic turbines, governors and valves; ship propellers; electronic force measurement equipment and desalination systems. Conditions in all major segments of [Armour's] business are highly competitive. During the 1967 fiscal year, Armour Foods' livestock slaughter approximated 10% of the total federally inspected slaughter of cattle, hogs, lambs and calves. Although over recent years Armour Foods has accounted for more than 74% of the gross volume of business of [Armour] the other [Armour] groups have in each such year accounted for more than 50% of [Armour's] earnings and now represent more than 60% of [Armour's] assets."

"Recent Developments

"On January 15, 1968, Gulf & Western Industries, Inc. (G&W) informed [Armour] that it had acquired 9.8% of the outstanding common stock of [Armour] and suggested a plan of consolidation of the two corporations, whereby the holders of [Armour's] common stock would receive, for each 2.25 shares of [Armour's] common, one share of 3 $\frac{3}{4}$ % preferred stock convertible into 1.648 shares of G&W common plus, for each share of [Armour's] common, .275 of a warrant to purchase a share of G&W common at \$55 per share. [Armour] promptly initiated economic and legal studies of the proposal and retained independent financial and legal advisors to do the same. While these studies were still in progress, on February 5, 1968, G&W informed [Armour] that in view of present unfavorable market conditions, G&W had suspended consideration of a merger with [Armour]. Accordingly, [Armour] suspended its studies, and the proposal has not come before the Board of Directors of [Armour] for its consideration. A letter of inquiry by the U. S. Department of Justice concerning the proposal has not been withdrawn, however, and the information requested thereby is being assembled.

"A decision has been made to sell the United States assets and business of Armour Agricultural Chemical Company to United States Steel Corporation. The transaction has been approved by the Boards of Directors of both corporations, subject to compliance with legal requirements, and a definitive contract was executed on April 29, 1968. If the sale is consummated, the net realization to [Armour] will be in excess of \$100,000,000, in cash. The business being sold represents approximately 7% of total sales, and 25% of total assets, of [Armour] and its consolidated subsidiaries, based upon fiscal 1967 figures. Taking into account the proceeds, the transaction will reduce total assets by approximately 5% and will result in a non-recurring loss of approximately \$13,000,000 which will be reported as an extraordinary charge in the 1968 accounts. The earnings of the business being sold, included in the earnings of [Armour] and its consolidated subsidiaries for the 1967 fiscal year, were negligible. Although the use of the proceeds has not been finally determined, it is anticipated that a portion will be used, at least initially, to reduce debt or the outstanding capital stock of [Armour], or both, but that in the main the proceeds will over a period of time be invested in strengthening [Armour's] existing businesses and in developing and acquiring new lines.

"Prior to January 9, 1968, [Armour] owned, through one of its wholly-owned non-consolidated foreign subsidiaries, a 50% interest in Armour Hess Chemicals Limited, a British corporation

engaged in the manufacture and marketing of fatty acids and nitrogen derivatives. On that date, [Armour] acquired, through another of its wholly-owned subsidiaries, the outstanding 50% interest in this facility for \$3,142,000.

"A new phosphoric and sulfuric acid plant was completed near Bartow, Florida, in 1965. Additional phosphate rock reserves in Florida were acquired in 1964, 1965, 1966 and 1967. In 1967 [Armour], pursuant to contracts entered into with Freeport Sulphur Company in 1966, conveyed to it an undivided one-half interest in certain phosphate rock lands near Fort Meade, Florida, and commenced construction of a phosphate rock mine on the jointly owned properties, which mine will be operated as a joint venture. These assets and business are included in those which are subject to the above mentioned sale to United States Steel Corporation.

"In 1963 and 1964 [Armour] and Pittsburgh Plate Glass Company made substantial investments in and advances to Kalium Chemicals Limited. This equally owned Canadian corporation has constructed facilities near Regina, Saskatchewan, Canada, for the solution mining and refining of potash. Commercial production began in November, 1964, and a substantial portion is sold to [Armour]. Kalium Chemicals Limited continued to operate profitably in 1967 and remitted \$500,000 to [Armour] against advances made in prior years. It also arranged a \$20 million financing from which each of the owners was repaid an additional \$7,495,000. The balance of the borrowed funds will be used for general corporate purposes. For further information concerning Kalium operations and properties, reference is made to the last paragraph under the caption Agricultural Chemical Properties.

"In 1965 [Armour] joined with Shell Chemical Company Limited (a member of the Royal Dutch/Shell Group) in forming an equally owned company, Shellstar Limited, to manufacture and market agricultural fertilizers and chemicals in the United Kingdom. Shellstar owns and operates plants at Shell Haven on the Thames Estuary. A new nitrogen complex with a capacity to produce 750,000 tons of straight and concentrated fertilizers is expected to be on stream in 1969. For information concerning commitments in connection with the financing of Shellstar, reference is made to Note 12 to the Financial Statements.

"[Armour] is collaborating with an Indian industrial firm with a view to construction and operation of an ammonia-urea project with capacity to produce approximately 340,000 metric tons per year of urea, at a site in Goa.

"Kalium and Shellstar operations and the Goa project are not presently included in the proposed sale to United States Steel Corporation, and no decision has been made as to the possible disposition of any of them.

"In 1964 [Armour] completed and put into operation near Aurora, Illinois, a continuous system plant for the manufacture of Dial Soap, and, through a wholly-owned Canadian subsidiary, a fatty acids nitrogen derivatives plant in Saskatoon, Saskatchewan, Canada.

"Since 1963 [Armour] has acquired the assets of several small companies engaged, respectively, in the production and sale of antacid and antiperspirant ingredients for use by the pharmaceutical and cosmetic and toiletries industries, veterinary biological pharmaceuticals, capliner and other resin coated products, pressure sensitive tape products, and the distribution of a spray fabric sizing household ironing aid, has acquired a small company engaged in the development of microwave processing equipment, and has acquired a line of floor wax and cleaner products sold under the trade mark "Bruce" together with production facilities for such products.

"[Armour] sold its Sole Leather Division in September, 1964, its Sheepskin Leather Division in February, 1965, and its food oil refineries at Kankakee, Illinois, Chattanooga, Tennessee, and Fort Worth, Texas, in September, 1966.

"During the past five years [Armour] has put into operation two new packing plants in Sterling, Illinois, and Worthington, Minnesota, has acquired an existing hog processing plant in Sioux City,

Iowa, has commenced construction of a new food processing and distribution center in Pittsburgh, Pennsylvania, and has opened new food processing and distribution centers in Mobile, Alabama, Dorsey, Maryland, Garland, Texas, and New Berlin, Wisconsin, and a turkey processing plant in Washington, Indiana. During these five years certain unprofitable units, including seven meat packing plants, a meat processing unit, a number of food branch houses and several miscellaneous units, have been closed and most of these units have been sold. The closing of these various facilities, together with the opening of the new plants and food processing and distribution centers is believed to have made [Armour's] operations more efficient and to have permitted better utilization of its facilities. In continuation of its replacement and relocation program, [Armour] has announced that it will close three slaughtering plants during 1968. Reference is made to Note 7 to the Financial Statements for information concerning a reserve provided in connection with the continuation of this program.

"Baldwin-Lime-Hamilton Corporation (BLH) was merged into [Armour] on July 2, 1965. Under the Joint Plan and Agreement of Merger, [Armour] acquired the assets and assumed the liabilities of BLH and each outstanding share of BLH Common Stock (except 118,435 shares purchased for cash) was converted into 13/100ths shares of a new \$4.75 Preferred Stock (cumulative and \$100 par value) and 1/6th share of Common Stock of [Armour]. Its business is now operated as a wholly-owned subsidiary of [Armour].

"For information concerning the purchase by [Armour] during 1966 of 5 3/4% convertible subordinated debentures of International Packers Limited (IPL), and the termination of the voting trust agreement under which [Armour's] shares of common stock of IPL were held, reference is made to Note 3 to the Financial Statements.

"Employees

"[Armour] employs approximately 37,800 persons, of whom 24,000 are represented by labor unions. About 230 labor contracts covering production workers are negotiated with 26 different international unions.

"There are two Master Agreements (identical in all material respects), negotiated in March, 1967, with the United Packinghouse, Food and Allied Workers AFL-CIO, and the Amalgamated Meat Cutters and Butcher Workmen of North America AFL-CIO. Units covered by these agreements include most of [Armour's] meat packing and processing units, and the Aurora and Chicago Grocery Products plants. The present Master Agreements expire on August 31, 1970.

"Most of the other production units of [Armour] and its subsidiaries are under individual unit contracts with various unions and having various dates of expiration.

"Employee relations in the main are considered to be good.

"Plants and Properties

"[Armour], whose executive offices at 401 North Wabash Ave., Chicago, Illinois are leased, owns or leases extensive properties for use in its business. The principal units are as follows:

"Meat Packing Plants:

"[Armour] operates twenty-three livestock slaughtering and meat packing and processing plants located as follows:

Brownsville, Tex.
*Denver, Colo.
Dixon, Calif.
Gaffney, S. C.
Green Bay, Wis.
Houston, Tex.
Huron, S. D.
Lexington, Ky.

*Lubbock, Tex.
Mason City, Iowa
Memphis, Tenn.
Nampa, Idaho
*Omaha, Nebr.
Pittsburgh, Pa.
Portland, Ore.

Reading, Pa.
San Angelo, Tex.
Sioux City, Iowa
South St. Joseph, Mo.
South St. Paul, Minn.
Spokane, Wash.
Sterling, Ill.
Worthington, Minn.

"The Sioux City plant is located on leased land; the Denver, Houston and Lubbock plants are held under lease; the other nineteen are owned. During 1968 [Armour] plans to close the three plants designated by an asterisk (*).

"Frosted Meat Plant:

"[Armour] owns and operates a frosted meat processing plant at Eau Claire, Wisconsin.

"Dairy and Poultry Plants:

"[Armour] operates twenty-five dairy and poultry plants, of which sixteen are owned and nine are leased, located in fifteen states.

"Shortening and Edible Oil Plants:

"[Armour] owns and operates a complete deodorizing and hydrogenation facility located at Omaha, Nebraska, for the production of lard, shortening, salad oil, margarine and vegetable oils, and two packaging plants located at Helena, Arkansas, and Norfolk, Virginia. In addition, there are lard refining facilities in various meat packing plants.

"Food Branch Houses:

"[Armour] operates one hundred nineteen food branch houses in the United States, of which seventy-three are owned and forty-six are leased. A consolidated subsidiary of [Armour] leases and operates a food branch house in Panama, R. P.

"Agricultural Chemical Properties:

"Armour Agricultural Chemical Company operates the following agricultural chemical plants. Those designated by an asterisk (*) are held under lease, and those designated by a double asterisk (**) are located on leased ground; the others are owned. For further information concerning Armour Agricultural Chemical Company, reference is made to the second paragraph under the caption Recent Developments.

"Two phosphoric acid and sulfuric acid plants, located at Bartow and Fort Meade, Florida; and one triple-superphosphate plant located at Fort Meade, Florida.

"Two phosphate rock plants, located at Bartow and Hancock, Florida.

"Two anhydrous ammonia and nitrogen derivatives plants, located at *Cherokee, Alabama, and Crystal City, Missouri.

"Six complete fertilizer plants, located at Albany and Columbus, Georgia; Chicago Heights, Illinois; Greensboro and Navassa, North Carolina; and Nashville, Tennessee.

"One acidulating and fertilizer mixing plant, located at New Orleans, Louisiana.

"Eight ammoniate and fertilizer mixing plants, located at *Davenport, Florida, East St. Louis, Illinois, Jeffersonville, Indiana, Waterloo, Iowa, Baltimore, Maryland, *Owosso, Michigan, Winona, Minnesota, and Memphis, Tennessee.

"Thirty liquid mix or bulk blend fertilizer plants, located at **Kirklin, New Harmony, Rushville, Saratoga and Warren, Indiana; **Belmond, Carroll, Jefferson, **Sanborn and Vinton, Iowa; **Lake Arthur, Louisiana; **Austin, Blue Earth, Olivia, **Wilmar and Windom, Minnesota; Caruthersville and Centralia, Missouri; **Bellevue, Cincinnati, **Dola and Polk, Ohio; Dallas, **Houston, Odem and *Plainview, Texas; **Spencer and Stevens Point, Wisconsin; and *San Juan, Puerto Rico.

"Armour Agricultural Chemical Company also operates fertilizer warehouses and industrial ammonia plants and bulk stations at various owned or leased locations.

"Armour Agricultural Chemical Company owns or controls through long-term leases two phosphate rock mining properties, located in Florida, one of which is equipped with complete mining facilities. Based on drilling data, [Armour] estimates that, of its owned and leased phosphate rock reserves of 59,557,782 mineable tons, 43,462,782 mineable tons will average between 31.1% and 32.4% phosphorus pentoxide and are sufficient to sustain production of phosphate rock at substantially the present rate for approximately 22 years. These estimates include one-half of the estimated rock reserves of 33,271,000 mineable tons with an estimated phosphorus pentoxide content of 31.40% on the properties in which an undivided one-half interest has been conveyed to Freeport Sulphur Company pursuant to the joint venture agreements described above under the caption Recent Developments. Mining data on the remaining 16,095,000 mineable tons have not been fully developed.

"During the years 1963, 1964, 1965, 1966 and 1967 the production of phosphate rock was 1,859,000, 1,945,000, 2,369,000, 1,911,000 and 2,034,800 gross tons, respectively. The design capacity of the mine under construction and operated as a joint venture with Freeport Sulphur Company is 2,000,000 tons of phosphate rock per year. In 1964, 1965, 1966 and 1967 the proportion or gross tons of matrix mined to overburden was 53.6%, 63.0%, 55.8% and 57.4%, respectively, the proportion of phosphate rock produced to gross tons of matrix mined was 26.1%, 25.2%, 20.3% and 17.4%, respectively, and the average phosphorus pentoxide grades of rock produced were 32.84%, 32.92%, 32.31% and 31.95%, respectively. It is estimated that the proportion of gross tons of matrix to overburden of the properties to be mined by the joint venture will be approximately 10% and the proportion of phosphate rock produced to gross tons of matrix mined will be approximately 22%.

[On July 1, 1968, Armour completed the sale of its domestic agricultural chemical business.]

"Kalium Chemicals Limited, a Canadian corporation owned equally by [Armour] and Pittsburgh Plate Glass Company, owns and operates facilities near Regina, Saskatchewan, Canada, for the solution mining and refining of potash. Commercial production of potash commenced in November of 1964. Production for the fiscal years ended October, 1965, 1966 and 1967, was 470,000 tons, 627,000 tons and 846,000 tons, respectively, of potassium chloride product averaging in potash the equivalent of 60% potassium oxide. From the drilling that has been done it is estimated that there are 950,000,000 tons of ore in place averaging 17.14% potassium oxide. It is further estimated that the solution mining method being used (which is the only feasible method for mining [Armour's] deposit) is capable of recovering 140,000,000 tons of such ore, from which 40,000,000 tons of potash product (i.e. potassium chloride) averaging 60% potassium oxide can be produced. Drillings on which such estimates are based are on a portion of the property and such drillings did not delimit the extent of the ore. Mining to date indicates no change required in previous estimates of recoverable ore. There has been no material change in the amount of water required to produce a ton of product compared to original estimates.

"Grocery Products Plants:

"Armour Grocery Products Company owns and operates a plant near Aurora, Illinois, for the manufacture of soaps and glycerine; a plant at Chicago, Illinois, for the manufacture of detergents; a plant at Bellwood, Illinois, for the manufacture of packaged pizza mix; and a household ammonia, floor wax and cleaner products plant at Memphis, Tennessee. It also leases and operates a household ammonia plant at Clifton, New Jersey. Shelf-size canned meats and pet foods, distributed by Armour Grocery Products Company, are manufactured at [Armour's] Omaha and South St. Paul packing plants.

"Industrial Chemical Plants:

"Armour Industrial Chemical Company owns and operates a plant at McCook, Illinois, for the manufacture of fatty acids and nitrogen derivatives of fatty acids and other industrial chemicals;

a plant at Carpentersville, Illinois, which manufactures nitrogen derivatives of fatty acids and other industrial chemicals; and a fatty esters plant at Philadelphia, Pennsylvania. It also leases a chemical warehouse and distribution point at Lodi, New Jersey. A wholly-owned Canadian subsidiary (not consolidated) owns and operates a fatty acids nitrogen derivatives plant in Saskatoon, Saskatchewan, Canada.

"Abrasives, Coated Products and Adhesives and American Tape Plants:

"Armour Industrial Products Company owns and operates an abrasives and bonded fibres plant at Alliance, Ohio; two coated products plants located at East Rutherford, New Jersey, and Saugus, California; two adhesive plants located at Philadelphia, Pennsylvania, and Chicago, Illinois; and leases and operates two pressure sensitive tape products plants at Marysville, Michigan, and Los Angeles, California. Adhesives manufacturing operations are also conducted at [Armour's] Omaha and South St. Paul packing plants.

"Leather Plant:

"Armour Leather Company owns and operates a leather tannery at Sheboygan, Wisconsin.

"Pharmaceutical Laboratories:

"Armour Pharmaceutical Company owns and operates a pharmaceutical, bio-chemical and veterinary products plant near Kankakee, Illinois; a specialty pharmaceutical and cosmetic and toiletries chemicals plant at Berkeley Heights, New Jersey; and two veterinary products plants located at Lathrop, Missouri, and Elkhorn, Nebraska.

"Construction, Industrial and Electronic Equipment Plants:

"BLH operates two construction equipment plants located at Aurora, Illinois and Lima, Ohio; a heavy industrial equipment plant at Eddystone, Pennsylvania; an electronics force measurement equipment plant at Waltham, Massachusetts; a steel specialties plant at Burnham, Pennsylvania; and a light industrial equipment plant at Beacon, New York. The Waltham plant is held under lease; the others are owned.

"Microwave Processing Plant:

"The Cryodry Corporation, a wholly-owned consolidated subsidiary of [Armour], owns and operates a plant at San Ramon, California, engaged in the manufacture and development of microwave heat processing equipment.

"Research Laboratories:

"Armour Foods and each of the major subsidiaries of [Armour] has its own research facilities.

"[Armour's] and [its] consolidated subsidiaries' real properties, other than those stated to be held under lease are held in fee, approximately 34% of the net book value of which is subject to the lien of [Armour's] indenture of mortgage and deed of trust, dated January 1, 1923, as amended and supplemented, and the subsequent underlying indentures of mortgage and deeds of trust of certain of [Armour's] subsidiaries."

Since the date of the foregoing description, Armour, according to information contained in an August 1, 1968, Offer to Purchase Common Stock of Armour and Company at \$50 per share, has had the following changes:

"On July 1, 1968, [Armour] completed the sale of its domestic agricultural chemical business. The proceeds from the disposition of this business, after certain post-closing adjustments and collection of retained receivables, are expected to total approximately \$130,000,000. It is anticipated

that this disposition will result in an extraordinary charge of approximately \$13,000,000 in [Armour's] fiscal 1968 accounts. This charge is in addition to reserves established in prior years and is net of the federal income tax reduction in the current year arising out of the loss on the sale of the business.

"On the date hereof, [Armour] is distributing to its stockholders rights to purchase 18.4% of the Common Stock of Armour-Dial, which prior hereto has been a wholly-owned subsidiary of [Armour]. Proceeds from this sale will go to Armour-Dial and will be used as set forth in Armour-Dial's Prospectus dated today which contains information about this important part of [Armour's] business and about certain transactions between [Armour] and Armour-Dial."

Armour announced on August 13, 1968, that it would purchase 1,500,000 shares of its Common Stock at \$50 per share pursuant to the offer mentioned above, which it would continue to hold as Treasury Shares.

Proposed Armour Acquisitions and Proposed Acquisition of Armour

On December 13, 1968 it was reported in the press that Armour and Company plans to make an exchange offer to shareholders of Williams Brothers Company ("Williams"), a Tulsa-based pipeline and pipeline services concern. In September a proposed merger of Williams with ACF Industries, Inc. was abandoned. In November a proposed combination of Williams with International Minerals & Chemicals Corp. was abandoned.

The announcement by Armour reported in the press was that Armour would exchange $1\frac{1}{3}$ shares of Armour common stock for each share of Williams' approximately 2.9 million shares of common stock outstanding.

On the terms announced, Armour would have issued approximately 3.8 million shares of its common stock, which would dilute the percentage ownership of present holders of outstanding Armour common stock by approximately 62%. The proposed Armour exchange offer for Williams stock apparently would have been conditioned upon acceptance by holders of 80% of Williams currently outstanding common stock.

Under the rules of the New York Stock Exchange Armour would have been required to obtain the approval of its stockholders for the proposed transaction with Williams stockholders. General had announced its intention to oppose any such exchange offer at any such meeting.

Williams reported earnings for 1967, before extraordinary items, at \$14.6 million or \$5.57 per share of Williams on sales of \$99.4 million. Williams reported nine months' earnings in 1968 at \$12 million or \$3.60 per share of Williams on sales of \$75.1 million, down from \$12.5 million earnings or \$3.73 per Williams share, for the comparable period in the preceding year.

The proposed acquisition by Armour and Company of Williams Brothers was cancelled, according to an announcement by Armour on December 30, 1968.

On January 3, 1969 it was announced that Armour proposes to acquire Klarer of Kentucky Incorporated in exchange for Armour common stock. Klarer is a meat packer with 1968 sales of \$60,600,000 and a 1968 net loss of \$530,811. Based upon information presently available to General Host, this proposed acquisition does not appear to be in the best interests of Armour stockholders.

On January 28, 1969 The Greyhound Corporation, through a subsidiary, offered to purchase up to 41% of Armour's common stock for cash at a price of \$65 per share, and announced that it would retain the option to accept more than 41%. It is reported that Armour's present management favors this offer. On January 30, 1969 this offer was increased to \$70 per share.

Capitalization of Armour

Armour stated in its Registration Statement which became effective May 3, 1968 that its capitalization was as follows:

"The capitalization of [Armour] as of January 27, 1968, is as follows. The amounts outstanding will not be affected by the sale of the Common Stock hereby offered.

	Originally Authorized	Outstanding January 27, 1968
"Long Term Debt:		
First Mortgage 2¾% Sinking Fund Bonds, Series F, due July 1, 1971	\$50,000,000	\$ 10,075,000
First Mortgage 3% Sinking Fund Bonds, Series G, due July 1, 1971	12,000,000	8,046,000
Notes Payable—Banks(1)	60,000,000	60,000,000
Equipment lease obligations(2)	—	9,531,153
7½% Purchase Money Note, due January 11, 1971	—	3,000,000
"Subordinated Long Term Debt:		
4½% Convertible Subordinated Debentures, due September 1, 1983	32,648,300	32,645,600
5% Cumulative Income Subordinated Debentures, due November 1, 1984	60,000,000	48,606,520
Short Term Notes Payable	—	26,966,630
Total Debt		\$198,870,903
Percent of total capitalization		33.0%
\$4.75 Preferred Stock, \$100 par value (shares)	550,000	526,352
Series Preferred Stock, \$100 par value (shares)	350,000	None
Common Stock, \$5 par value (shares)	15,000,000(3)	7,549,790(4)

"(1) Reference is made to Note 5 to the Financial Statements for information concerning these Notes Payable.

"(2) Reference is made to Note 12 to Financial Statements for information concerning these and other lease obligations.

"(3) Of the authorized but unissued Common Stock, 638,357 shares are reserved for issuance upon conversion of the 4½% Convertible Subordinated Debentures at a conversion price of \$51.14 principal amount of debentures for each share of stock, and 240,069 shares are reserved for issuance pursuant to a Restricted or Qualified Stock Options granted or authorized to be granted.

"(4) Excludes 23,875 shares held by [Armour], of which 23,873 (not included in unissued shares reserved) are held available for delivery upon exercise of stock options granted to certain officers and employees of [Armour]. See "Options to Purchase Securities" under the heading "Management" and Note 9 to the Financial Statements. The stock options therein described constitute an element of potential dilution to stockholders."

Armour reduced its outstanding shares by purchasing 1,500,000 shares in its August tender offer. It was reported in the press that 6,095,000 shares were outstanding as of November 2, 1968.

General's Stockholdings in Armour

As of December 24, 1968 General owned 1,002,500 shares of Armour common stock, representing approximately 16.5% of the total outstanding. No other person has reported to the Securities and Exchange Commission or is known by General to own of record or beneficially more than 10% of the outstanding stock of Armour. However, General presently does not participate in the direction or management of Armour. To the best knowledge of General there are presently 17 directors of Armour. The terms of 6 directors expire in 1969, 5 in 1970 and 6 in 1971. In addition, Armour has cumulative voting.

Common Stock of Armour

In the May 3, 1968 Armour Registration Statement, Armour described its common stock as follows:

"The Certificate of Incorporation of [Armour] authorizes the issuance of 15,000,000 shares of Common Stock, of the par value of \$5 per share, of which 7,549,790 were issued and outstanding as of January 27, 1968. The issued and outstanding shares are fully paid and nonassessable. The Common Stock is listed on the New York and Midwest Stock Exchanges.

"Dividend Rights. Subject to the limitations referred to in "Limitations on the Payment of Dividends" or in "Preferred Stock Limitations," the holders of shares of Common Stock are entitled to receive such dividends as may be declared by the Board of Directors.

"Voting Rights. Subject to the limitations referred to in "Preferred Stock Limitations," holders of Common Stock are entitled to one vote for each share held on any matter submitted to a vote at any meeting of stockholders, and in all elections of directors every holder of Common Stock has the right to vote the number of shares owned by him for as many persons as there are directors to be elected by the holders of Common Stock or to cumulate his votes and give one candidate as many votes as the number of such directors to be elected multiplied by the number of his shares shall equal, or to distribute them on the same principle among the number to be voted for, or for any two or more of them, as he shall see fit. The Board of Directors is seventeen in number, divided into three classes of which two consist of six directors and one consists of five, and at each annual meeting of stockholders the members of the class whose term expires are elected for a term of three years.

"Limitations on the Payment of Dividends. The various documents pursuant to which Armour's long term obligations have been issued provide certain restrictions and limitations upon the payment of dividends on the Company's capital stock. Under the most restrictive provisions of these documents, none of [Armour's] earnings employed in the business at October 28, 1967, was restricted as to payment of cash or property dividends.

"Preferred Stock Limitations. The Certificate of Incorporation of [Armour] authorizes the issuance of 550,000 shares of \$4.75 Preferred Stock, par value \$100 per share, of which 526,352 shares were issued and outstanding as of January 27, 1968. Dividends on the \$4.75 Preferred Stock are cumulative, to the extent not paid, and the stock is entitled to the benefits of mandatory annual cumulative sinking fund payments from and after September 1, 1971, in an amount per year sufficient to redeem 6,000 shares at par plus accrued and unpaid dividends. Previously purchased shares of \$4.75 Preferred Stock may also be used to satisfy the sinking fund requirement.

"If and so long as [Armour] may be in default with respect to any dividend or sinking fund payment on the \$4.75 Preferred Stock, it may not pay any dividends (other than dividends payable in junior stock) or make other distributions on junior stock or acquire shares of junior stock for a consideration.

"When, if ever, dividends on the \$4.75 Preferred Stock shall be in arrears, in whole or in part, as to each of six quarterly dividends, whether or not consecutive, holders of the \$4.75 Preferred Stock have the exclusive right, voting separately as a class at the next annual meeting of stockholders, and annually thereafter, to elect two Directors in addition to those elected by other classes of stockholders. Such right of election and the existence of such additional directorships shall continue until such time as all cumulative dividends in arrears have been paid in full. The holders of at least 10% of the \$4.75 Preferred Stock may require that a special meeting of the holders be called to elect such additional Directors if the described arrearages shall occur more than 90 days prior to the date fixed by the By-Laws for the next annual meeting of stockholders.

"[Armour], without the approval of at least a majority of the then outstanding \$4.75 Preferred Stock, voting as a class, or the unanimous written consent of such stock, may not create, issue or

increase any class or series of stock ranking on a parity with the \$4.75 Preferred Stock either as to dividends or liquidation rights. [Armour], without the approval of at least two-thirds of the then outstanding \$4.75 Preferred Stock, voting as a class, or the unanimous written consent of such stock, may not

"(a) alter materially any existing provision of the \$4.75 Preferred Stock,

"(b) create, issue, or increase any class or series of stock ranking prior to the \$4.75 Preferred Stock either as to dividends or liquidation rights, or increase the authorized amount of the \$4.75 Preferred Stock, or

"(c) sell, lease or convey all or substantially all [Armour's] property or business; or voluntarily liquidate or dissolve; or merge or consolidate unless the holders of the \$4.75 Preferred Stock will thereupon hold substantially equivalent stock of the resultant company.

"No such approval or consent will be required, however, for issuance either of senior or parity stock for the purpose of redeeming all the \$4.75 Preferred Stock.

"Except as described above, the \$4.75 Preferred Stock has no voting rights. It has no preemptive rights and no conversion rights, and is not liable for further calls or subject to assessment.

"The Certificate of Incorporation of [Armour] also authorizes, in the discretion of the Board of Directors, the issuance of 350,000 shares of Series Preferred Stock of \$100 par value, none of which has been issued. If any of such shares are issued, they may be preferred, both as to earnings and assets, over the Common Stock and the issuance thereof might impose additional restrictions on the payment of dividends on the Common Stock.

"Other Rights. In the event of any liquidation, dissolution or winding up of [Armour], the holders of the \$4.75 Preferred Stock are entitled to receive an amount equal to the accrued and unpaid dividends thereon plus, on involuntary liquidation, \$100 per share, or on voluntary liquidation, the lesser of \$102 per share or the then current redemption price. After the holders of the \$4.75 Preferred Stock have been paid in full the amounts to which they are entitled, and subject to the rights of the holders of any Series Preferred Stock at the time outstanding, the remaining net assets of [Armour] or the proceeds thereof are distributable to the holders of the Common Stock.

"Holders of Common Stock have no preemptive rights and no conversion rights. The Common Stock is not redeemable by [Armour], and is not liable for further calls or subject to assessment."

Armour Financial Statements

The following financial statements of Armour appeared in Armour's May 3, 1968 Registration Statement. Note references in such financial statements are to the Notes to Armour's Financial Statements which appeared in such Registration Statement and are reprinted herein.

ARMOUR AND COMPANY
CONSOLIDATED STATEMENT OF EARNINGS

	"Fiscal years ended				
	October 28, 1967	October 29, 1966	October 30, 1965	October 31, 1964(1)	November 2, 1963(1)
	(in thousands of dollars)				
Sales, including service revenues	\$2,156,724	\$2,280,276	\$2,061,735	\$1,890,648	\$1,814,524
Dividend and interest income	3,975	2,944	2,072	1,812	2,257
Other income	2,218	2,217	1,040	527	399
	<u>2,162,917</u>	<u>2,285,437</u>	<u>2,064,847</u>	<u>1,892,987</u>	<u>1,817,180</u>
Cost of materials (Notes 1 and 2)	1,442,311	1,582,293	1,427,131	1,282,457	1,242,239
Wages, supplies and operating expenses	464,254	446,492	411,127	391,710	374,584
Selling and administrative expenses	150,396	152,013	136,251	130,271	125,215
Depreciation (Note 11)	22,530	20,401	17,530	15,517	13,895
Employee pension plans (Note 14)	15,309	14,498	11,871	9,681	8,695
Interest expense	11,053	9,580	7,468	7,702	6,642
Taxes (other than Federal income taxes)	22,324	21,648	16,400	17,078	16,238
	<u>2,128,177</u>	<u>2,246,925</u>	<u>2,027,778</u>	<u>1,854,416</u>	<u>1,787,508</u>
Earnings before Federal taxes on income	34,740	38,512	37,069	38,571	29,672
Provision for Federal taxes on income and related charges:					
Federal incomes taxes (Note 6)	6,007	12,038	6,912	11,787	6,089
Deferred Federal incomes taxes on difference between financial and tax expense (Notes 7 and 11)	3,141	3,513	4,050	2,803	4,940
Charge equivalent to Federal income tax deferral arising from investment credit	—	—	—	—	465
Amounts equivalent to (provision for) reduction in Federal income tax in respect of (gains) losses and expenses in closing and replacement of facilities (Note 7) and in 1967 settlement of certain liabilities which arose prior to the date of the BLH merger (Note 1)	3,327	(1,711)	3,675	1,161	1,818
	<u>12,475</u>	<u>13,840</u>	<u>14,637</u>	<u>15,751</u>	<u>13,312</u>
Earnings before extraordinary items	22,265	24,672	22,432	22,820	16,360
Extraordinary items (Note 7):					
Gain (loss) on sale of facilities, less Federal income tax of \$1,711 in 1966 and less Federal income tax reductions of \$3,377 in 1965	—	1,534	(4,204)	—	—
Charge in connection with replacement or relocation of facilities, less anticipated Federal income tax reduction of \$15,000	—	(24,000)	—	—	—
Net earnings	<u>\$ 22,265</u>	<u>\$ 2,206</u>	<u>\$ 18,228</u>	<u>\$ 22,820</u>	<u>\$ 16,360</u>
Applicable to Common Stock after deducting Preferred Stock dividend requirement:					
Earnings before extraordinary items	\$ 19,765	\$ 22,172	\$ 21,532	\$ 22,820	\$ 16,360
Net earnings (loss)	19,765	(294)	17,328	22,820	16,360
Per Share of Common Stock:					
Earnings before extraordinary items(2)	\$2.61	\$2.93	\$3.12	\$3.70	\$2.67
Net earnings (loss)(2)	2.61	(0.04)	2.51	3.70	2.67
Cash dividends declared(3)	1.60	1.60	1.56	1.27	1.27
Stock dividend declared	—	—	10%	—	—
Pro forma per share earnings of Common Stock assum- ing exercise of stock options and conversion of 4½% convertible debentures(2):					
Earnings before extraordinary items	\$2.48				
Net earnings	2.48				

"(1) Fiscal years 1963 and 1964 have been restated to include company acquired in 1965 in a pooling of interests. See Note 1 to the Financial Statements.

(2) Per share data are based on weighted average number of common shares issued after recognition of the dividend requirements on the \$4.75 preferred stock.

The pro forma per share data are based on the assumption that (1) the 4½% convertible subordinated debentures outstanding at year end had been converted into Common Stock, with the related interest paid on the convertible debentures (less applicable income tax) being eliminated and (2) the stock options outstanding at year end had been exercised, with the proceeds therefrom earning interest (less applicable income tax) at the prime rate.

(3) Cash dividends declared per share of Common Stock have been adjusted in 1963-1965 to give effect to the 10% stock dividend paid in 1965. The amounts are exclusive of dividends paid by pooled companies.

NOTE: See comments under "Recent Developments" on page 7.

"It is expected that earnings for the 6 months ending April 27, 1968, will be somewhat less than those reported for the 6 months ended April 29, 1967, primarily because of depressed earnings of Armour Agricultural Company, a wholly-owned subsidiary. As indicated under the heading Recent Developments, [Armour] has entered into a contract for the sale of the assets and business of this subsidiary.

"ARMOUR AND COMPANY

"CONSOLIDATED STATEMENT OF FINANCIAL POSITION

"October 28, 1967

"(in thousands of dollars)

"CURRENT ASSETS:

Cash		\$ 32,393
Notes and accounts receivable (less allowance for doubtful notes and accounts—\$2,179) (Note 7)		
Notes receivable	\$ 21,968	
Accounts receivable	145,935	167,903

"INVENTORIES:

Products and in process and finished manufactured goods (Notes 1 and 2)	163,315	
Supplies and manufacturing raw materials	37,652	200,967
Total current assets		401,263

"INVESTMENTS (Notes 3 and 9)

67,176

"PLANT AND EQUIPMENT (Notes 11 and 12):

Land, at cost	24,215	
Buildings, machinery and fixed equipment, at cost	371,879	
Accumulated depreciation	(203,603)	
Automotive and other movable equipment, at cost less accumulated depreciation of \$14,461	18,519	211,010

"DEFERRED CHARGES (Note 4)

12,528

\$691,977

"CURRENT LIABILITIES:

Notes payable		\$ 30,067
Accounts payable		61,568
Accrued liabilities		13,830
Federal income taxes		6,081
General and payroll taxes		5,183
Long term obligations payable within one year (Note 5)		5,070
Total current liabilities		121,799

"LONG TERM DEBT (Note 5)

86,894

"SUBORDINATED LONG TERM DEBT (Note 5)

81,460

"RESERVES AND DEFERRED CREDITS:

Anticipated costs related to replacement or relocation of facilities (net after Federal income taxes of \$12,563) (Note 7)	\$ 18,365	
Deferred Federal income taxes (Note 7)	29,674	
Credit arising from merger (Note 1)	7,756	55,795

"STOCKHOLDERS' EQUITY:

\$4.75 Preferred stock, par value \$100 per share—authorized 550,000 shares, issued 526,352 shares (Note 8)	52,635	
Common stock, par value \$5 per share—authorized 15,000,000 shares, issued 7,572,364 shares (Notes 8 and 9)	37,862	
Capital in excess of par value (per accompanying statement)	127,909	
Earnings employed in the business (per accompanying statement) (Note 10)	127,623	346,029

COMMITMENTS (Note 12)

\$691,977

"(See notes to financial statements)

"ARMOUR AND COMPANY

"CONSOLIDATED STATEMENTS OF CAPITAL IN EXCESS OF PAR VALUE
AND EARNINGS EMPLOYED IN THE BUSINESS

"For the Three Fiscal Years Ended October 28, 1967

"(in thousands of dollars)

	"Fiscal years ended		
	October 28, 1967	October 29, 1966	October 30, 1965
"CAPITAL IN EXCESS OF PAR VALUE			
Balance at beginning of the year	\$127,696	\$127,504	\$ 51,589
Excess of proceeds over par value of Common Stock issued in connection with:			
Exercise of purchase warrants (expired December 31, 1964)	—	—	1,174
Exercise of employee stock options	213	192	292
Rights offering subscriptions	—	—	21,525
Excess of market value over par value of Common Stock issued in payment of 10% stock dividend	—	—	24,500
Excess of consideration received over par value of Common Stock issued in acquisition of BLH (Note 1)	—	—	28,422
Excess of principal amount of 4½% Convertible Subordinated Debentures converted over par value of Common Stock issued and cash paid for fractional interests	—	—	2
Balance at end of the year	<u>\$127,909</u>	<u>\$127,696</u>	<u>\$127,504</u>
"EARNINGS EMPLOYED IN THE BUSINESS			
Balance at beginning of the year	\$119,919	\$132,262	\$152,786
Net earnings per consolidated statement of earnings	22,265	2,206	18,228
Cash dividends:			
On Preferred Stock—\$4.75, \$4.75 and \$1.491 per share, respectively	(2,500)	(2,500)	(785)
On Common Stock—\$1.60, \$1.60 and \$1.56 per share, respectively, as adjusted in 1965 for the 10% stock dividend	(12,061)	(12,049)	(10,674)
Stock dividend—10% in Common Stock	—	—	(27,293)
Balance at end of the year (Note 10)	<u>\$127,623</u>	<u>\$119,919</u>	<u>\$132,262</u>

"(See notes to financial statements)

"ARMOUR AND COMPANY**"NOTES TO FINANCIAL STATEMENTS****"For the Three Fiscal Years Ended October 28, 1967****"NOTE 1—BASIS OF CONSOLIDATION:**

The consolidated financial statements include the accounts of the Company, wholly-owned domestic companies and one small wholly-owned foreign company. The Company carries its investment in consolidated subsidiary companies and in a non-consolidated Canadian subsidiary company at an amount equal to its equity in the net worth of such companies.

No individual or group financial statements are included for non-consolidated subsidiaries and fifty-percent owned persons, which are principally foreign companies. Considered in the aggregate as a single subsidiary, these companies would not constitute a significant subsidiary.

In 1965 and 1963 the Company issued, respectively, 83,455 and 107,284 shares of Common Stock in poolings of interests. The consolidated statement of earnings for the fiscal years 1965 and 1963 includes the operations of the respective pooled companies for the entire year. Financial statements and financial information have been restated wherever applicable to include the pooled companies.

On July 2, 1965, the Company acquired Baldwin-Lima-Hamilton Corporation (BLH). At that date the net book value of assets of BLH exceeded the consideration paid by \$21,718,639, a portion of which was recorded as additional accumulated depreciation and the balance as a deferred credit. Net earnings for 1967, 1966 and 1965 includes \$2,711,556, \$3,095,356 and \$1,073,783, respectively, representing reductions in depreciation expense and pro rata portions of the deferred credit which is being amortized over a period of seven and one-half years. During 1967 the deferred credit was charged with \$963,628 after Federal income tax reduction of \$889,400, in respect of the settlement of liabilities which arose prior to the date of the merger, the amount of which was indeterminable at that time. The tax reduction of \$889,400 decreased the Company's estimated Federal income tax liability for the 1967 fiscal year by such amount.

Intercompany and intracompany items have been eliminated in the consolidated statements, except for possible intercompany and intracompany profits included in the carrying value of inventories due principally to the methods of pricing certain items of food inventories. It is impracticable to determine the amount of such profits.

"NOTE 2—INVENTORIES:

Inventories are priced as follows: certain items, primarily pork, at cost on the basis of "last-in, first-out", other items at the lower of cost (principally current standards) or market and the balance at market less allowance for selling expense. The amounts of products and in process and unfinished manufactured goods inventories entering into the computation of cost of goods sold were as follows: October 28, 1967—\$163,314,825; October 29, 1966—\$165,532,112; October 30, 1965—\$133,489,489 and October 31, 1964—\$110,114,011.

"NOTE 3—INVESTMENTS:

The Company's investments at October 28, 1967, consist of the following, carried at cost or less:

Kalium Chemicals Limited(1)	\$12,135,080
International Packers Limited:	
Common Stock (757,594 shares)	13,857,021
5½% debentures	2,203,400
Shellstar Limited(1) (Note 12)	19,236,988
Long term receivables	12,836,099
Other (Note 9)	6,907,106
	<u>\$67,175,700</u>

"(1) See comments under "Recent Developments" in the text of the [Armour] Prospectus.

"The International Packers Limited (IPL) debentures, which are traded on the New York Stock Exchange, are convertible into IPL common stock at \$10 per share. Aggregate market value at October 28, 1967, of these debentures is \$2,534,000.

"In 1966 the Company agreed to certain restrictions for an eight-year period on any disposition of IPL stock, such restrictions being designed to insure broad distribution of those shares. Market value of the shares held by the Company at October 28, 1967, is approximately \$7,480,000. The equity attaching to the Company's investment in common stock of IPL is approximately \$14,250,000.

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS—(Continued)"

"NOTE 4—DEFERRED CHARGES:

Deferred charges include, among other things, intangible assets representing the unamortized cost of trademarks, trade names, etc., which are being amortized on a net of tax basis over a period of twenty years. Changes in such intangible assets during the 1967 fiscal year were as follows:

Balance, October 29, 1966	\$10,011,730
Provision for amortization, charged to earnings	(259,379)
Abandonments charged to Reserve for anticipated costs related to replacement or relocation of facilities	(24,267)
Transferred to Plant and Equipment	(25,000)
Balance, October 28, 1967	<u>\$ 9,703,084</u>

At October 28, 1967, deferred charges are stated net of \$640,000 of deferred income representing unamortized 1962 investment credit, which is being reflected in earnings over the estimated useful lives of the related assets.

"NOTE 5—LONG TERM OBLIGATIONS:

Long term obligations outstanding at October 28, 1967, and maturities and sinking fund requirements for the 1968 fiscal year are as follows:

Long Term Debt	Amount authorized by indentures	1968 maturities included in current liabilities	Non-current maturities
First Mortgage 2¼% Sinking Fund Bonds, Series F, due July 1, 1971	\$50,000,000	\$ —	\$ 12,000,000
First Mortgage 3% Sinking Fund Bonds, Series G, due July 1, 1971 ..	12,000,000	240,000	8,046,000
Notes Payable—Banks	60,000,000	—	60,000,000
Equipment lease obligations	—	2,634,911	6,848,193
		<u>2,874,911</u>	<u>86,894,193</u>
<u>Subordinated Long Term Debt</u>			
4¼% Convertible Subordinated Debentures, due September 1, 1983	32,648,000	—	32,645,600
5% Cumulative Income Subordinated Debentures, due November 1, 1984	60,000,000	2,195,120	48,814,400
		<u>2,195,120</u>	<u>81,460,000</u>
		<u>\$5,070,031</u>	<u>\$168,354,193</u>

Long term debt sinking fund requirements under the first mortgage bonds amount to \$4,240,000 for each of the fiscal years 1969 and 1970 and \$11,566,000 upon maturity in 1971. The amounts of equipment lease obligations payable for these years are not presently determinable. Subordinated long term debt sinking fund requirements amount to a maximum of \$2,195,120 for each of the fiscal years 1969 through 1971 and \$3,845,120 for 1972.

Notes payable—banks are borrowings made under a \$60,000,000 revolving bank credit agreement. Interest is payable on unpaid balances to April 1, 1969, at the prime rate applicable to commercial bank loans. On that date the Company may elect to convert any portion of the total into 5% term notes, payable in eight equal semi-annual installments to April 1, 1973. Future maturities under this agreement are not presently determinable.

The 4¼% Convertible Subordinated Debentures are convertible into shares of the Company's Common Stock prior to September 1, 1983, at a current conversion price of \$51.14 principal amount of debentures for each share of stock, with anti-dilution provisions.

"NOTE 6—INVESTMENT CREDIT:

The provision for Federal income taxes for the 1967 fiscal year has been reduced by \$1,518,100 as a result of the investment credit provisions of the Revenue Acts of 1962 and 1964, of which \$1,358,100 is attributable to qualified 1967 additions and \$160,000 to amortization of the 1962 investment credit.

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS—(Continued)

"NOTE 7—RESERVES AND EXTRAORDINARY ITEMS:

The Company provides for deferred Federal income taxes on the accumulated difference between depreciation and certain lease expenses recorded for financial reporting purposes and relative amounts claimed as deductions for Federal income tax purposes. During the 1967 fiscal year, the reserve for deferred Federal income taxes changed as follows:

Balance, October 29, 1966	\$20,533,000
Provision for 1967, charged against earnings	3,111,000
Balance, October 28, 1967	<u>\$23,644,000</u>

Subsequent to the end of the 1966 fiscal year, the Company undertook a modernization program that will encompass the replacement or relocation of some of its food and fertilizer facilities. The extraordinary item charge of \$21,000,000, after anticipated Federal income tax reduction of \$15,000,000, in the consolidated statement of earnings for 1966 gives accounting recognition to losses on disposition of facilities and separation pay anticipated in connection with this program. The provision for anticipated charges is reflected as a reserve in the consolidated statement of financial position. Charges to the reserve account during the 1967 fiscal year amounted to \$3,114,611 for losses on disposition of facilities and \$2,221,060 for separation payments and other closing costs, after Federal income tax reductions of \$2,437,300. The tax reduction of \$2,437,300 decreased the Company's estimated Federal income tax liability for the 1967 fiscal year by such amount.

During the 1966 fiscal year the Company sold its food oil refineries in Kankakee, Illinois, Chattanooga, Tennessee and Fort Worth, Texas. The gain on the sale of these facilities less employment separation payments, amounting to \$1,533,720 after Federal income tax provision of \$1,711,000, was credited as an extraordinary item. The tax provision of \$1,711,000 increased the Company's estimated Federal income tax liability for the 1966 fiscal year by such amount.

The Company follows the reserve method of providing for doubtful receivables for Armour Agricultural Chemical Company, Armour Leather Company and BLH. In its other operations the Company writes off doubtful accounts when deemed uncollectible.

"NOTE 8—CAPITAL STOCK:

At October 28, 1967, there were 638,357 and 241,418 authorized but unissued shares of Common Stock reserved for issuance, respectively, upon conversion of the Company's 4½% Convertible Subordinated Debentures and pursuant to stock options granted or authorized to be granted to certain officers and employees of the Company. Also at October 28, 1967, there were 28,873 shares of Common Stock held in the Company's treasury available for delivery upon exercise of stock options granted to certain officers and employees of the Company.

There were no changes during the 1967 fiscal year in Preferred Stock issued. During the year shares of Common Stock issued increased as follows:

	Number of shares
Issued October 29, 1966	7,562,899(a)
Exercise of employee stock options	9,466
Scrip certificates expired	(1)
Issued, October 28, 1967	<u>7,572,364(a)</u>

(a) Includes 28,876 and 28,875 shares held in the Treasury at October 29, 1966 and October 28, 1967, respectively.

In 1960 the Company's stockholders authorized the issuance of 350,000 shares of \$100 par value Series Preferred Stock, none of which has been issued.

"NOTE 9—STOCK OPTIONS AND TREASURY STOCK:

Stock options have been granted to certain officers and employees to purchase shares of Company Common Stock for periods of five or ten years from the date of grant. Option prices are equal to 100% or 95% of market value at these dates.

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS—(Continued)

Options granted between December 7, 1961, and December 5, 1963, provide that shares may be purchased on an installment basis. All options contain adjustment provisions for mergers and recapitalizations, and those granted on and after December 7, 1961, also contain anti-dilution provisions for stock dividends. Where applicable, the following tabulations of shares under option and of shares with respect to which options became exercisable give effect to a 10% stock dividend paid February 1, 1965.

The number of shares under option at October 28, 1967, and the option price and fair market value per share and in total at the dates the options were granted are summarized as follows:

Fiscal year granted	Number of shares	Option price		Fair market value	
		Average per share	Total	Average per share	Total
1959	990	\$22.49	\$ 22,266	\$23.67	\$ 23,438
1962	67,458	39.75	2,681,742	41.85	2,822,887
1963	23,520	37.32	877,662	39.28	923,855
1964	23,540	41.86	985,320	42.43	998,881
1965(1)	36,100	29.17	1,052,857	37.52	1,354,370
1966	19,600	44.83	878,700	44.83	878,700
1967	500	29.25	14,625	29.25	14,625
	<u>171,708</u>		<u>\$6,513,172</u>		<u>\$7,016,756</u>

(1) Includes 31,200 shares, at an average option price of \$27.21, granted at the date of merger of BLH into the Company in substitution for BLH options then outstanding. The fair market value of the Company's Common Stock at the merger date was \$36.875 per share.

Options for 120,703 shares were exercisable at October 28, 1967. The remaining options become exercisable in installments up to 1973, except for 990 shares which became exercisable upon attainment of specified incentive conditions.

The number of shares with respect to which options became exercisable during the three fiscal years ended October 28, 1967, and the option price and fair market value per share and in total on the dates the options became exercisable are summarized as follows:

Fiscal year exercisable	Number of shares	Option price		Fair market value	
		Average per share	Total	Average per share	Total
1965	55,126	\$34.09	\$1,879,043	\$42.34	\$2,334,294
1966	41,727	39.42	1,645,041	40.45	1,687,947
1967	20,774	36.17	751,328	34.04	707,216
	<u>117,627</u>		<u>\$4,275,412</u>		<u>\$4,729,457</u>

The number of shares with respect to which options were exercised during the three fiscal years ended October 28, 1967, and the option price and fair market value per share and in total on the dates the options were exercised are summarized as follows:

Fiscal year exercised	Number of shares	Option price		Fair market value	
		Average per share	Total	Average per share	Total
1965	27,550	\$29.26	\$ 806,237	\$51.76	\$1,425,896
1966	10,279	29.72	305,511	43.11	443,083
1967	9,466	27.49	260,214	35.16	332,797
	<u>47,295</u>		<u>\$1,371,962</u>		<u>\$2,201,776</u>

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS—(Continued)"

At October 28, 1967, the Company held in its treasury 28,873 shares of its Common Stock available for delivery upon exercise of certain options. These shares are included in investments at the lower of cost or option prices, aggregating \$750,723. Additional shares needed as a result of the exercise of options granted or authorized to be granted will be provided from 241,418 shares of unissued stock reserved for that purpose at October 28, 1967. At October 28, 1967, there were 83,185 remaining shares authorized for optioning under the Company's stock option plan. The excess of cost over option price of the shares acquired has been charged to earnings.

For further information as to stock options reference is made to the text of the Prospectus.

"NOTE 10—APPROPRIATED EARNINGS EMPLOYED IN THE BUSINESS:

At October 28, 1967, earnings employed in the business includes appropriations aggregating \$763,389 which had changed as follows during the three fiscal years ended on that date, all in accordance with the provisions of the applicable debt indentures.

	Appropriation for	
	Payment of interest and sinking fund on 3½% subordinated debentures	Retirement of 5% subordinated debentures
Balance, October 31, 1964	\$4,739,280	\$766,340
Fiscal year:		
1965	(379,470)	782
1966	(4,359,810)	(7,925)
1967	—	4,192
Balance, October 28, 1967	\$ —	\$763,389

"NOTE 11—PLANT AND EQUIPMENT AND DEPRECIATION:

Changes in plant and equipment during the 1967 fiscal year were as follows:

	Balance October 29, 1966	Additions and renewals, at cost	Retirements or sales	Balance October 28, 1967
Land	\$ 23,714,709	\$ 1,485,602	\$ (985,717)	\$ 24,214,594
Buildings	119,135,325	5,935,336	(4,385,069)	120,685,592
Machinery and fixed equipment	235,611,608	21,148,992	(12,952,119)	243,808,481
Construction in progress	6,397,653	987,588	—	7,385,241
	384,859,295	29,557,518	(18,322,905)	396,093,908
Automotive and other movable equipment, less accumulated depreciation	17,377,208	7,738,458	{ (2,564,098) (4,032,594)(1) }	18,518,974
	\$402,236,503	\$ 37,295,976	\$ (24,919,597)	\$414,612,882

"(1) Depreciation credited directly to asset accounts.

"Changes in accumulated depreciation for buildings, machinery and fixed equipment during the 1967 fiscal year were as follows:

	Buildings	Machinery and fixed equipment	Total
Balance, October 29, 1966	\$ 67,899,011	\$128,464,417	\$196,363,428
Provision for depreciation, charged to earnings	4,512,126	13,984,909	18,497,035
Retirements, renewals, etc.	(2,267,241)	(8,990,187)	(11,257,428)
Balance, October 28, 1967	\$ 70,143,896	\$133,459,139	\$203,603,035

"For financial reporting purposes the Company computes depreciation charges generally on the individual item straight-line method using rates which it is anticipated will amortize the cost of such properties over their useful lives. However, a subsidiary provides depreciation on the composite method by use of the sum-of-the-years digits method.

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS—(Continued)

for eligible depreciable property acquired after January 1, 1954, and by the straight-line method for all other depreciable property, principally computed by reference to remaining lives for the several groups. The ranges of depreciation rates per year generally are:

Buildings	2% to 5%
Machinery and fixed equipment	4½% to 20%
Automotive and other movable equipment	4½% to 25%

Depreciation charges for Federal income tax purposes are computed under both straight-line and accelerated methods using Treasury Department guideline lives for most assets.

The policy of the Company is to capitalize the cost of all additions, improvements and major renewals which substantially extend the useful life of the particular asset and to charge repairs and maintenance to operations. The gross carrying value of renewed assets and the related accumulated depreciation are eliminated from the accounts and any resulting profit or loss is reflected in operations. Generally, the gross carrying value and the related accumulated depreciation of properties sold or otherwise disposed of are eliminated from the property accounts. Profits or losses on such sales or other dispositions incurred in the normal course of business are reflected in operations. However, in the case of a subsidiary, gain or loss on retirements is generally recognized only on fully-depreciated items or on abnormal retirements; on normal retirements, the cost of the asset, net of salvage, is charged to the reserve for depreciation. Profits or losses incurred on dispositions of properties in connection with the Company's modernization program are credited or charged to the "Reserve for anticipated costs related to replacement or relocation of facilities" (see Note 7).

"NOTE 12—COMMITMENTS AND LONG TERM LEASES:

In 1965 the Company acquired a 50% interest in Shellstar Limited, a United Kingdom company that conducts agricultural chemical operations. The Company has a commitment to invest an additional \$4,000,000 in Shellstar and to guarantee up to \$27,000,000 in borrowings of Shellstar in connection with an expansion program scheduled to be completed in 1969. At October 27, 1967, borrowings guaranteed by the Company were \$12,000,000.

Rent expense for real property under long term leases for 1967 amounted to approximately \$4,140,000 and under existing leases will approximate that amount for the next five years. These leases extend for varying periods up to twenty-nine years, with the Company obligated under most leases to pay for insurance, maintenance and other costs of operating the properties.

The Company holds automotive and other equipment under leases having relatively short terms. Additions under these leases have been capitalized (beginning in 1966), with the lease obligations reflected as liabilities in the consolidated statement of financial position.

"NOTE 13—SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

Depreciation is shown separately in the consolidated statement of earnings. There were no management or service contract fees or significant amounts of royalties paid during the three fiscal years ended October 28, 1967. Other supplementary profit and loss information is as follows:

	Fiscal years ended		
	October 28, 1967	October 29, 1966	October 30, 1965
Maintenance and repairs (Note 11)	\$38,769,033	\$38,357,179	\$32,620,447
Taxes (other than Federal income taxes):			
Payroll	\$13,734,320	\$12,865,154	\$ 8,992,653
Real estate and personal property	5,230,583	5,069,560	4,522,960
Other	3,358,795	3,712,815	2,884,505
	\$22,323,698	\$21,647,529	\$16,400,118
Rents	\$13,608,777	\$13,710,089	\$13,764,040

These expenses are charged directly to profit and loss, but none are charged to cost of materials in the consolidated statement of earnings.

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS—(Continued)

"NOTE 14—EMPLOYEES' PENSION AND RETIREMENT PLANS:

The Company's Salaried Employees' Pension Plan, originally established in 1911, provides for the payment of pensions to salaried employees (not including members of the Board or Executive Committee, as such) who make regular contributions to a trust fund maintained for their benefit. The Company from time to time makes contributions to the Plan, in such amounts and at such times as may be determined by the Board of Directors, but no part thereof is paid or set aside for the account or benefit of any individual person. Annual pensions are computed on the basis of 1% of the average salary paid during the 5 consecutive years of highest salary for each year of continuous service, plus, upon additional contributions from individuals whose salaries are in excess of \$10,000 a year, a supplemental pension, and under present Company practice an additional benefit, totaling 4/10 of 1% of such average salary in excess of \$10,000 a year for each year of continuous service. It is estimated by the actuaries for the Company that the unfunded past service liability under the plan as of January 1, 1967, amounts to approximately \$37,475,000 and that assets of the pension fund are in excess of vested benefits.

A noncontributory Retirement Plan, established by the Company in 1957, provides for retirement payments to salaried employees (not including members of the Board or Executive Committee, as such) who entered salaries service prior to May 1, 1961, and at the time of entry were between the ages of 40 and 55 in the case of men and 35 and 50 in the case of women, who were not then eligible to participate in the Company's Salaried Employees' Pension Plan, and who, at the time of retirement, have had ten years or more of continuous service. Annual retirement payments are computed on the basis of 7/10 of 1% of the average salary paid during the 10 consecutive years of highest salary for each year of continuous service. Benefits are integrated with those of the Salaried Employees' Pension Plan for those employees who are eligible to receive benefits under both plans, so that such employees do not receive benefits under both plans for the same years of service. No fund is established by the Plan and the retirement payments provided are paid by the Company only as they may accrue. Payments under the Plan aggregated approximately \$300,300 in 1967, \$284,400 in 1966 and \$271,600 in 1965.

A noncontributory pension plan was established in 1952 under contracts with the United Packinghouse, Food and Allied Workers AFL-CIO and the Amalgamated Meat Cutters and Butcher Workmen of North America AFL-CIO. The plan covers the employees who are members of these two unions, certain other groups of employees under union contracts, and certain other employees who are not members of any bargaining unit and are not eligible to participate in the pension plan for salaried employees. The Company is required, until expiration of the most recent contracts with the above two unions on August 31, 1970, to pay to the Pension Fund, established pursuant thereto, annually in any year when such payments qualify as deductions under the Internal Revenue Code, a contribution equal to the sum of (1) current service costs and (2) an amount sufficient to fund the past service costs in equal annual amounts, in full, by September, 1997. It is estimated that the unfunded past service liability under the plan as of January 1, 1967, amounts to approximately \$47,300,000, and that vested benefits, computed on the basis of revisions in benefit levels first effective January 1, 1968, exceeded pension assets by approximately \$57,000,000.

In addition to the above, a subsidiary of the Company has noncontributory pension plans in effect covering substantially all its hourly-paid employees which were negotiated with the Unions representing the respective groups of employees. This subsidiary also has a contributory pension plan covering its salaried employees. It is estimated that the unfunded past service liabilities of these pension plans as of December 31, 1966, amounts to approximately \$30,656,000 and that the excess of vested benefits over pension fund assets was approximately \$17,000,000."

Armour Financial Statements for 1968

The following financial statements of Armour, certified by independent accountants, appeared in Armour's Annual Report to stockholders for 1968. Note references in such financial statements are to the Notes to Armour's Financial Statements which appeared in such Annual Report and are reprinted herein.

ARMOUR AND COMPANY**"ACCOUNTING AND FINANCIAL PRINCIPLES"**

"The following briefly describes certain of the Company's accounting and financial principles which have been consistently followed in the years reported and should be read as an integral part of the financial statements.

"Basis of Consolidation"

The consolidated financial statements include the accounts of the Company, majority and wholly-owned domestic companies and one small wholly-owned foreign company.

"Inventories"

Inventories are priced as follows: certain items, primarily pork, at cost on the basis of 'last-in, first-out,' other items at the lower of cost (principally current standards) or market and the balance at market less allowance for selling expense.

"Depreciation"

In general, depreciation is recorded in the accounts of the Company over the estimated useful lives of the assets, computed on an individual item, straight line method. For Federal income tax purposes, accelerated and straight line methods are used, based on Treasury department guide-line lives for most assets. The resulting reduction in taxes currently payable is credited to deferred Federal income taxes in the consolidated statement of financial position.

"Plant and Equipment"

The cost of all additions, improvements and major renewals which substantially extend the useful life of the particular asset are capitalized. Repairs and maintenance are charged to operations. Automotive and other equipment acquired under relatively short term leases have been capitalized (beginning in 1966), with the lease obligations reflected as liabilities in the consolidated statement of financial position.

"Investment Credit"

The reduction in Federal income taxes resulting from the investment tax credit related to each year's qualified property additions is reflected as a reduction of the respective year's provision for Federal income taxes."

ARMOUR AND COMPANY

"CONSOLIDATED STATEMENT OF EARNINGS"

	Dollars in Thousands	
	51 weeks ended Nov. 2, 1968	52 weeks ended Oct. 25, 1967
"Revenue		
Sales, including service revenues	\$2,096,402	\$2,156,724
Other income	6,921	6,193
	<u>2,103,323</u>	<u>2,162,917</u>
"Costs		
Cost of products, supplies and services	1,844,688	1,906,565
Selling and administrative expenses	144,868	150,396
Depreciation	18,393	22,530
Employee pension plans (note 8)	17,229	15,309
Interest expense	10,168	11,053
Taxes (other than Federal income taxes)	20,324	22,324
	<u>2,055,670</u>	<u>2,128,177</u>
"Earnings from operations before Federal income taxes and minority interest	47,653	34,740
"Provision for Federal income taxes (note 9)	(21,670)	(12,475)
"Minority interest in net earnings of Armour-Dial, Inc.	(739)	—
"Earnings before extraordinary loss	25,244	22,265
"Extraordinary loss (note 1)	(13,215)	—
"Net Earnings	<u>\$ 12,029</u>	<u>\$ 22,265</u>
"Per share earnings of common stock		
based upon weighted average number of common shares outstanding after recognition of preferred stock dividend requirements		
"Primary earnings		
Before extraordinary loss	\$3.15	\$2.61
Extraordinary loss	(1.83)	—
Net earnings	1.32	2.61
"Fully diluted earnings		
after giving effect to the assumption that (1) the 4½% convertible subordinated debentures and stock options outstanding at each year end had been converted or exercised at the beginning of the year and added to outstanding common shares, (2) interest (less applicable income tax) on the debentures has been added to earnings and (3) funds obtained from the exercise of stock options were invested at the prime rate and the earnings thereon (less applicable income tax) added to earnings		
Before extraordinary loss	2.95	2.48
Extraordinary loss	(1.65)	—
Net earnings	1.30	2.48"
"(see notes to financial statements)"		

ARMOUR AND COMPANY

"CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS LESS CURRENT LIABILITIES

	Dollars in Thousands	
	November 2, 1968	October 28, 1967
"Current assets		
Cash, including certificates of deposit	\$ 41,200	\$ 32,393
Accounts and notes receivable (less allowance for doubtful accounts \$2,748 in 1968 and \$2,179 in 1967)	125,926	167,903
Inventories		
Products and in process and finished manufactured goods	137,288	163,315
Supplies and manufacturing raw materials	35,942	37,652
	<u>340,356</u>	<u>401,263</u>
"Current liabilities		
Notes payable	767	30,067
Accounts payable and accrued liabilities	75,447	80,581
Federal income taxes	13,557	6,081
Long term obligations payable within one year (note 4)	6,645	5,070
	<u>96,416</u>	<u>121,799</u>
"Working capital	<u>243,940</u>	<u>279,464</u>
Current ratio	<u>3.53</u>	<u>3.29</u>
"Investments (notes 3, 7 and 10)	<u>69,651</u>	<u>67,176</u>
"Plant and equipment		
Land, at cost	6,607	24,215
Buildings, machinery and fixed equipment, at cost	277,486	371,879
Accumulated depreciation	(161,636)	(203,603)
Automotive and other movable equipment, at cost less accumulated depreciation	15,921	18,519
	<u>138,378</u>	<u>211,010</u>
"Deferred charges (includes trademarks, trade names, etc., less amortization)	<u>12,084</u>	<u>12,528</u>
"Total assets less current liabilities	<u>\$464,053</u>	<u>\$570,178"</u>

ARMOUR AND COMPANY

"LONG TERM OBLIGATIONS AND STOCKHOLDERS' EQUITY"

	Dollars in Thousands	
	November 2, 1968	October 23, 1967
"Long term debt (note 4)		
First Mortgage 2¾% Sinking Fund Bonds, Series F, due July 1, 1971	\$ 6,000	\$ 12,000
First Mortgage 3% Sinking Fund Bonds, Series G, due July 1, 1971	7,806	8,046
Notes Payable—Banks	24,000	60,000
7½% Purchase Money Note, due January 11, 1971	3,000	—
Equipment lease obligations	6,610	6,848
	<u>47,416</u>	<u>86,894</u>
"Subordinated long term debt (note 4)		
4¼% Convertible Subordinated Debentures, due September 1, 1983	32,558	32,646
5% Cumulative Income Subordinated Debentures, due November 1, 1984	46,264	48,814
	<u>78,822</u>	<u>81,460</u>
"Reserves, deferred credits and minority equity		
Anticipated costs related to replacement or relocation of facilities (note 5)	14,561	30,928
Deferred Federal income taxes (note 5)	13,837	17,111
Credit arising from merger (note 5)	6,106	7,756
Minority stockholders' equity in Armour-Dial, Inc. (note 2)	11,534	—
	<u>46,038</u>	<u>55,795</u>
"Stockholders' equity (notes 6 and 7)		
\$4.75 Preferred stock, par value \$100 per share—		
authorized 550,000 shares		
issued 526,352 shares	52,635	52,635
Common stock, par value \$5 per share—		
authorized 15,000,000 shares		
issued 7,614,126 shares in 1968 and 7,572,364 shares in 1967	38,071	37,862
Capital in excess of par value	152,095	127,909
Earnings employed in the business (note 4)	124,693	127,623
Common stock held in treasury—1,518,945 shares at cost	(75,717)	—
	<u>291,777</u>	<u>346,029</u>
"Total long term obligations and stockholders' equity	<u>\$ 464,053</u>	<u>\$ 570,178</u>
"(See notes to financial statements)"		

"CONSOLIDATED STATEMENT OF EARNINGS EMPLOYED IN THE BUSINESS"

	Dollars in Thousands	
	53 weeks ended Nov. 2, 1968	52 weeks ended Oct. 23, 1967
"Balance beginning of year	\$127,623	\$119,919
"Net earnings for the year	12,029	22,265
"Cash dividends		
on preferred stock—\$4.75 per share	(2,500)	(2,500)
on common stock—\$1.60 per share	(11,493)	(12,061)
"Reduction in Company's equity in undistributed earnings of Armour-Dial, Inc. arising from sale by Armour-Dial of its common stock (note 2)	(966)	—
"Balance end of year	<u>\$124,693</u>	<u>\$127,623"</u>

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS"

"1. Extraordinary Loss

As of January 27, 1968, the Company sold substantially all the assets and business of its domestic agricultural chemical business. Proceeds from the sale, including collection of retained receivables, approximates \$130 million. The loss on this sale, less a reserve of \$8,610,000 established in prior years for these facilities and less applicable Federal income tax of \$12,950,000, has been reflected as an extraordinary loss in the consolidated statement of earnings.

"2. Formation of Armour-Dial, Inc.

As of January 1, 1968, the Company transferred the business and net assets of its Grocery Products Division to Armour Grocery Products Company in exchange for:

(1) all of the issued and outstanding capital stock of Armour Grocery Products, (2) \$1,200,000 of Armour Grocery Products 6% First Mortgage Bonds, and (3) the assumption by Armour Grocery Products of \$15,000,000 of the Company's notes payable to banks. Subsequently, the following transactions occurred:

1) Armour Grocery Products Company changed its name to Armour-Dial, Inc.

2) The Company contributed (a) amounts due it as of April 27, 1968 from foreign subsidiaries of Armour Pharmaceutical Company and (b) all of the outstanding capital stock of Armour Pharmaceutical Company, Limited, a United Kingdom corporation, to Armour Pharmaceutical Company.

3) Armour-Dial purchased at book value from the Company all the outstanding capital stock of Armour Pharmaceutical Company.

4) Armour-Dial revised its capital structure and sold, through an offering by Armour to its stockholders of rights received from Armour-Dial, 1,894,119 shares of its common stock.

"The Company currently owns 81.6% of the issued and outstanding capital stock of Armour-Dial.

"3. Investments

Investments consist of the following, recorded principally at cost, which approximates the Company's aggregate equity in underlying net assets:

	% of outstanding common stock held	Nov. 2, 1968	Oct. 28, 1967
		(thousands)	
Shellstar Limited (note 10)	50%	\$20,237	\$19,237
IPL inc.	29%	16,060	16,060
Kalium Chemicals Limited	50%	12,135	12,135
Other investments	Various	10,032	6,908
Long term receivables		11,187	12,836
		<u>\$69,651</u>	<u>\$67,176</u>

During 1968, the Company converted \$2,203,000 of IPL inc. debentures into IPL common stock. Market value of the 977,934 shares of IPL common stock held by the Company at November 2, 1968 was approximately \$18,000,000. In 1966 the Company agreed to certain restrictions, for an eight-year period, on any disposition of IPL stock, such restrictions being designed to insure broad distribution of these shares.

"4. Long Term Debt

First Mortgage Bonds—Sinking fund requirements amount to \$2,240,000 for 1969, \$4,240,000 for 1970 and \$9,566,000 upon maturity in 1971.

Notes Payable—Banks—Represents borrowings under a revolving bank credit agreement whereby the Company may borrow at prime interest rates up to \$60,000,000 to April 1, 1969. On that date, the Company may elect to convert any portion of the \$60,000,000 into 5% term notes, payable in eight equal semi-annual installments to April 1, 1973. The amount borrowed at November 2, 1968 under the agreement has been classified as long term obligations as it is the Company's present intention to negotiate a revision of the agreement that will, among other changes, extend the period of revolving credit beyond the close of the Company's 1969 fiscal year."

"Equipment Lease Obligations—Amounts payable in 1969 are estimated to be approximately \$3,144,000."

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS—(Continued)

"*Subordinated Long Term Debt*—Sinking fund requirements amount to \$1,261,000 for 1969, a maximum of \$2,195,000 for 1970 and 1971 and \$3,845,000 for 1972 and 1973.

"The 4½% Convertible Subordinated Debentures are convertible into shares of common stock of the Company prior to September 1, 1983 at \$51.14 principal amount of debentures for each share of stock, with anti-dilution provisions.

"The indentures relating to long term obligations restrict the payment of dividends, other than dividends payable in the Company's capital stock. Under the most restrictive covenant of these indentures, \$95,128,000 of earnings employed in the business at November 2, 1968 was unrestricted for payment of cash dividends.

"5. Reserves and Deferred Credits

"In order to comply with financial reporting requirements set forth by the American Institute of Certified Public Accountants, the amount of \$18,365,000 reported net after Federal income taxes in 1967 for anticipated costs related to replacement or relocation of facilities has been restated to its gross amount of \$30,928,000, an increase of \$12,563,000. Deferred Federal income taxes has been reduced by a corresponding amount.

"The excess of the recorded net assets of Baldwin-Lima-Hamilton Corporation, acquired by the Company in 1965, over the consideration paid was recorded in part as additional accumulated depreciation and in a part as a deferred credit. Earnings before extraordinary loss for 1968 and 1967 include \$2,548,000 and \$2,712,000, respectively, representing reductions in depreciation expense, and pro rata portions of the deferred credit which is being amortized over a period of seven and one-half years. In addition, the deferred credit was reduced during 1968 by \$184,000, representing the settlement of liabilities which arose prior to the date of the merger, the amount of which was indeterminate at that time.

"6. Preferred Stock, Common Stock and Capital in Excess of Par Value

Changes in common stock and capital in excess of par value during fiscal 1968 were as follows:

	Common stock	Capital in excess of par value
	(thousands)	
Balance October 28, 1967	\$37,862	\$127,909
Issuance of common stock in connection with:		
exercise of employee stock options	200	1,204
conversion of 4½% convertible subordinated debentures	9	78
Increase in Company's equity in Armour-Dial, Inc. arising from sale by Armour-Dial of its common stock (note 2)	—	22,904
Balance November 2, 1968	<u>\$38,071</u>	<u>\$152,095</u>

"In 1960, stockholders authorized the issuance of 350,000 shares of \$100 par value Series Preferred stock, none of which has been issued.

"7. Stock Options and Treasury Stock

Options have been granted to certain officers and employees to purchase shares of Company common stock at prices of 100% or 95% of market value on the date of grant, for periods of five or ten years from the date of grant. The options become exercisable in installments to 1973. At November 2, 1968, options may be granted for an additional 53,755 shares at 100% of market value on the date of grant.

"Changes in options during the year were as follows:

	Options outstanding		Options exercisable	
	Average price	Shares	Average price	Shares
Balance October 28, 1967	\$37.93	171,708	\$38.44	120,703
Granted	35.74	55,800	—	—
Became exercisable	—	—	40.59	26,933
Exercised	35.74	(54,004)	35.74	(54,004)
Cancelled	40.67	(26,564)	42.31	(19,818)
Balance November 2, 1968	<u>\$37.41</u>	<u>146,940</u>	<u>\$40.16</u>	<u>73,814"</u>

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS—(Continued)

"At November 2, 1968 the Company held in its treasury, (1) 1,504,011 shares of its common stock acquired at a cost of \$75,326,000 through an offer made on August 1, 1968 to its then stockholders to purchase Armour common stock at a price of \$50 per share, and (2) 14,934 shares of its common stock acquired in prior years and classified in 1967 as investments. Shares held in the treasury, as well as 199,705 shares of reserved unissued stock, are available for issuance upon the exercise of options granted or authorized to be granted.

"8. Pension Plans

"The Company and its subsidiaries have several pension plans covering substantially all employees. The Company's policy is to fund pension cost accrued which includes, as to certain plans, amortization of prior service costs over 30 years. The actuarially computed excess of vested benefits over pension fund assets was approximately \$65,000,000 at the date of the most recent actuarial valuations.

"The increase in pension expense for the year results from liberalization of retirement benefits, offset in part by changes in certain actuarial assumptions and the reduction in employees covered by the Company's plans due to the sale of the agricultural chemical business (note 1). In connection with that sale, certain trust fund assets were transferred to trust funds of the purchaser."

"9. Provision for Federal Income Taxes

The Company's provision for Federal income taxes comprised the following for the fiscal years ended November 2, 1968 and October 28, 1967:

	1968	1967
	(thousands)	
Current taxes	\$ 11,795	\$ 6,007
Deferred taxes on difference between financial and tax income, arising from depreciation and certain lease expenses	165	3,141
Amounts equivalent to reduction in Federal income tax in respect of:		
a) losses and expenses in closing of facilities charged to reserve previously provided therefor	4,981	2,437
b) losses and expenses on sale of agricultural chemical business (note 1), other than amounts included in (a) above, less deferred taxes previously provided	4,530	—
c) settlement of certain liabilities which arose prior to the date of the BLH merger (note 5) charged to deferred credit arising from merger	199	890
	<u>\$ 21,670</u>	<u>\$ 12,475</u>

"10. Commitments and Long Term Leases

In 1965 the Company acquired a 50% interest in Shellstar Limited, a United Kingdom company organized to conduct agricultural chemical operations. In connection with working capital requirements, the Company has a commitment to guarantee borrowings of Shellstar which are not expected to exceed \$25,000,000. At November 2, 1968 borrowings guaranteed by the Company were \$18,750,000. The Company presently does not anticipate the need for any increase in its \$20,237,000 capital investment in Shellstar, whose construction program is scheduled for completion in 1969.

Rent expense for real property under long term leases for 1968 amounted to approximately \$2,189,000 and will approximate that amount in each of the next five years. These leases extend for varying periods up to 49 years, with the Company obligated under most leases to pay for insurance, maintenance and other costs of operating the properties."

**GENERAL HOST
CORPORATION**

EXCHANGE OFFER TO
STOCKHOLDERS OF

ARMOUR AND COMPANY

Until March 11, 1969 (40 days after the date of this Prospectus), all dealers effecting transactions in the registered securities to which this Prospectus relates, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

This Prospectus does not contain all of the information set forth in the Registration Statement including this Prospectus (the "Registration Statement") on file with the Securities and Exchange Commission. For further information, reference is made to the Registration Statement, including the financial statements, schedules, and exhibits filed therewith.

JA 896

PLAINTIFF'S EXHIBIT NO. 24:

MEMO FROM DAY TO ASHTON RE CASH FLOW DATED
JANUARY 30, 1969

00061

To: H. J. Ashton

January 30, 1969

From: T. T. Day

Subject: General Host Corporation's Pro Forma Cash Flows

As requested, we have prepared pro forma cash flows for General Host Corporation for the years 1969 and 1970 reflecting various assumed levels of ownership of Armour and Company. These are set forth in detail in Exhibit I and Exhibit II attached. You will note that for all assumed levels of ownership of Armour, we will have sufficient positive cash flow to more than cover the debt service requirements of the related 7% Subordinated Debentures to be issued in conjunction with our tender offer. The net positive cash flows are summarized in the table below:

Net Positive Cash Flow Assuming Armour is

(Amounts in Thousands)

<u>Year</u>	<u>51% Owned</u>	<u>60% Owned</u>	<u>80% Owned</u>	<u>100% Owned</u>
1969	\$ 5,661	\$ 5,037	\$ 8,614	\$32,486
1970	\$ 2,934	\$ 1,303	\$ 3,138	\$23,053

Since these are projections, it was necessary to make certain assumptions in developing this data, and the basis for these assumptions has been summarized on Exhibit III attached.

If you have any questions regarding the above, please advise.

T. T. Day

TTD:kd
Attachments

GENERAL HOST CORPORATION
PRO FORMA CASH FLOW
1969

00065

	Assuming Armour is			
	51% Owned	60% Owned	80% Owned	100% Owned
Profit before tax	\$ 5,493	\$ 5,493	\$ 5,493	\$ 3,146
<u>PRO FORMA ADJUSTMENTS</u>				
Add: Armour dividend	2,934	3,661	5,316	(1,600)
Deduct: Interest on 7% debentures & additional loans	(5,266)	(6,617)	(9,624)	(11,162)
Pro forma profit before tax	3,161	2,537	1,185	40,384
Tax benefit (Provision)	700	700	5,629	(11,293)
Pro forma net profit	3,861	3,237	6,814	29,091
Depreciation & amortization	4,800	4,800	4,800	23,193
	8,661	8,037	11,614	52,284
Deduct: repayment long term debt	3,000	3,000	3,000	9,615
Cash flow available	\$ 5,661	\$ 5,037	\$ 8,614	\$ 42,669
Deduct: Armour Dial net cash flow included above	-	-	-	10,183
Net Cash Flow Available	\$ 5,661	\$ 5,037	\$ 8,614	\$ 32,486

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GENERAL HOST CORPORATION
PRO FORMA CASH FLOW
1970

	Assuming Armour is			
	51% Owned	60% Owned	80% Owned	100% Owned
Profit before tax	\$ 7,450	\$ 7,450	\$ 7,450	\$55,103
<u>PRO FORMA ADJUSTMENTS</u>				
Add: Armour dividend	3,912	4,915	7,088	(1,600)
Deduct: Interest on 7% debentures & additional loans	(10,428)	(13,062)	(18,921)	(23,308)
Pro forma profit (loss) before tax	934	(697)	(4,383)	30,195
Tax benefit (Provision)	-	-	5,521	(10,905)
Pro forma net profit (loss)	934	(697)	1,138	19,290
Depreciation & amortization	5,100	5,100	5,100	23,493
	6,034	4,403	6,238	42,783
Deduct: repayment long term debt	3,100	3,100	3,100	9,547
Cash flow available	\$ 2,934	\$ 1,303	\$ 3,138	\$33,236
Deduct: Armour Dial net cash flow included above	-	-	-	10,183
Net Cash Flow	\$ 2,934	\$ 1,303	\$ 3,138	\$23,053

00067

The cash flow projections as per attached schedules have been prepared on the basis of the following assumptions.

Profit Before Tax

Profit at 51%, 60% and 80% levels of ownership are based on General Host's Five Year Plan as submitted by its operating divisions and including our current position in Armour. Armour's 1968 profit before extraordinary items has been assumed for 1969 and 1970 and included in the combined profit at 100% ownership level.

Armour Dividend on Additional Shares

1969 reflects dividends at the current rate of \$.40 per share per quarter to be received for 2nd, 3rd and 4th quarters on the additional Armour shares acquired at the varying ownership percentages. At 100% ownership the dividend on present shares has been deducted. 1970 reflects a full year's dividend income on all Armour shares owned.

Interest on 7% Debentures & Additional Loans

1969 interest on 7% debentures reflects the interest payment scheduled for August 1, 1969, whereas 1970 reflects a full year's interest on these debentures. In addition, interest has been assumed for additional borrowings to cover the excess of the estimated expenses of the tender offer over anticipated internally generated funds, plus refinancing the \$9.4 million of insurance debt in August, 1969 at 8%.

Tax Benefit

1969 tax benefit of \$700,000 at 51% and 60% ownership reflects the refund of prior years' taxes resulting from a carryback of current year's tax loss. At 80% ownership the tax benefit is based on an assumed tax sharing agreement by which Armour reimburses General Host for the use of 80% of General Host's tax losses in the consolidated return.

Depreciation & Amortization

There will be a modest increase in General Host's depreciation in 1969 and 1970 from the 1968 level. At 100% ownership we have assumed Armour depreciation to be \$18,393,000 for 1969 and 1970, the same as reported in its 1968 Annual Report.

Repayment of Long Term Debt

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At 51%, 60% and 80% ownership, the scheduled repayment of General Host's debt is as follows:

	<u>1969</u>	<u>1970</u>
3-Bank loan	\$1,500,000	\$2,000,000
Union Bank loan	1,000,000	1,000,000
Miscellaneous	500,000	100,000
	<u>\$3,000,000</u>	<u>\$3,100,000</u>

At 100% ownership, debt repayment includes Armour payments of long-term debt of \$6,645,000 in 1969 and \$6,435,000 in 1970 based on available information in its 1968 Annual Report.

Armour-Dial Net Cash Flow Deduction

At 100% ownership, net cash flow excludes that of Armour-Dial, except for the Armour-Dial dividend (5¢ per share per quarter) that would accrue to Armour based on its present 81.6% ownership.

TTD:kd

JA 901a

PLAINTIFF'S EXHIBIT NO. 25:

McDOWELL EBT IN ARMOUR v. KELLY, p. 9, lines 12-33

Jr., is the present of the company?

A Of Allen & Company Incorporated, right.

Q Mr. Charles Allen, what is his relation to the corporation?

A He is a ~~stockholder, a major stockholder,~~ *Director* and he is also, I guess, the senior partner of Allen & Company.

Q He is not an officer of Allen & Company, Incorporated?

A No.

Q Are you in any way associated with the partnership?

A Yes. We all work both for the partnership and for the corporation. There is no -- historically it might help a little bit to clarify the situation.

The firm was a partnership up until some time in 1964, at which time the corporation was created. Physically they are in the same place and essentially they are the same employees work either for the corporation or the partnership. There is no operating distinction between the two organizations.

Q You, sir, are an employee of the partnership, not a member of the partnership?

JA 902a

PLAINTIFF'S EXHIBIT NO. 59:

ALLEN & COMPANY, INC. LETTER, DATED OCTOBER
15, 1969

JA 903

P E/ 59

ALLEN & COMPANY
INCORPORATED

AB 11 10
12/24/74 J

30 BROAD STREET, NEW YORK, N.Y. 10004 • HANOVER 2-2600

October 15, 1969

Board of Directors
General Host Corporation
245 Park Avenue
New York, New York

We have been asked to give an opinion as to the probable value of the package of cash and securities offered to General Host by Greyhound Corporation in exchange for 3,650,000 shares of Armour presently owned by Host. We have also been asked for our general opinion as to the fairness of such offer, and whether we feel that General Host should accept the offer.

Our opinion is given in part because of our historical relationship with and knowledge of General Host Corporation. This relationship has included acting as underwriter for 400,000 shares of Host common, placing privately \$47,400,000 of Host convertible subordinated debentures, and acting as joint dealer-manager in the exchange offer for Armour and Company. It should be noted that we have not yet received our full payment for management of the exchange offer. It should be further noted that Allen & Company Incorporated will receive an additional fee for services rendered if the current Greyhound exchange offer discussed herein is accepted by Host. This fee will not be paid if the offer is not accepted.

The package offered by Greyhound is as follows:

- (1) \$77,000,000 in cash
- (2) \$36,500,000 face amount of five-year senior notes bearing interest at the prime rate at time of closing
- (3) 800,000 shares of \$5 convertible preferred stock, convertible into Greyhound common at \$20 per share
- (4) 4,250,000 ten-year warrants to purchase Greyhound common stock, such warrants to have a minimum value of \$6 at the time of closing

The value of the package is dependent to a considerable extent on the market value of Greyhound common stock. This, in turn, depends upon the performance and prospects of the combined Greyhound-Armour corporation. A lack of adequate information prevents us from making an evaluation of these prospects at this time. Consequently, for the purpose of this opinion, we will calculate probable value of the package based on three different market prices of Greyhound--\$18, \$20, and \$25. We will assume that the market price will fall somewhere in this range.

Some general comments should be made regarding this assumption. We understand from General Host that, on a pro-forma basis, Greyhound and Armour combined would have earned \$1.55--\$1.65 per share in 1968, as opposed to Greyhound's reported earnings of \$1.35. Armour's multiple has historically been lower than Greyhound's so that the higher earnings may command a lower price earnings ratio. Nevertheless, we feel that \$18 should represent a reasonable minimum for the Greyhound common under normal circumstances--assuming that the higher earnings level can be sustained. On the positive side, it is difficult to predict the effect of Armour's assets being more aggressively managed by Greyhound. However, any improvement in Armour earnings must be applied against the large capitalization of Greyhound and thus will have a modest impact on earnings per share. Given the market history of Greyhound and the projected earnings for the Greyhound-Armour combination, we feel it is reasonable to assume a market range of \$18--\$25 for the purpose of this valuation.

The following table gives the estimated range of market value for the securities package at selected prices of Greyhound common stock. The table also indicates the probable range of cash values if the securities were sold. In computing estimated cash value, we have assumed that the \$36,500,000 of notes will be sold on a yield basis of 9-10% and that the preferred and warrants will be sold at a discount of 15% from their market value. Although we have not solicited any potential purchasers for the notes, it is our feeling that the amount of the notes and their intermediate term will necessitate their being sold at a discount from the prime rate. Because of their senior position in a strongly financed company, this discount should not exceed 15% (to yield 10% on a current basis). On the preferred and warrants, it is probable that a private placement or a registered secondary offering could be accomplished at a smaller discount than 15% under favorable market conditions. However, the size of the preferred and warrant positions and the uncertain outlook for the stock market led us to make a more conservative estimate.

ESTIMATED MARKET VALUE OF PACKAGE

		<u>Minimum</u>	<u>Maximum</u>
Greyhound at \$18	Total Value Per Share	\$208,500,000 \$57.12	\$232,100,000 \$63.59
Greyhound at \$20	Total Value Per Share	\$229,600,000 \$62.90	\$251,800,000 \$68.97
Greyhound at \$25	Total Value Per Share	\$250,700,000 \$68.68	\$270,600,000 \$74.14

ESTIMATED CASH VALUE OF PACKAGE

		<u>Minimum</u>	<u>Maximum</u>
Greyhound at \$18	Total Value Per Share	\$188,700,000 \$51.70	\$212,300,000 \$58.16
Greyhound at \$20	Total Value Per Share	\$206,700,000 \$56.63	\$229,100,000 \$62.77
Greyhound at \$25	Total Value Per Share	\$224,600,000 \$61.53	\$245,000,000 \$67.12

The table indicates a realizable cash value of \$51.70 to \$67.12 for each share of Armour. While this is less than the approximately \$72 per share value which General Host placed on its debenture and warrant offer for Armour shares, it is well above today's \$46 market price of Armour. (Before Gulf & Western's purchase of stock in 1968, Armour had seldom sold above \$50 and had recently been less than \$40.) Nevertheless, it is likely that Host will sustain a substantial book loss on the presently proposed transaction. Therefore, it is appropriate to mention certain other factors in attempting to assess the fairness of the Greyhound offer to Host and its shareholders.

There are several conditions which make the offer attractive to Host at this time:

(1) Continued uncertainty as to control of Armour has had an adverse effect on Host's common stock.

(2) The contest for Armour has made and will continue to make substantial demands on the executive time of Host.

(3) A prolonged fight for Armour will deplete its management and make it a less attractive acquisition.

(4) Dividends and interest from the Greyhound package will help defray Host's interest costs as long as the securities are held by Host.

(5) With substantial amounts of cash or securities realizable in cash, Host would have excellent opportunities in today's depressed stock market.

(6) If the Greyhound-Armour combination is successful, Host's investment may be worth considerably more than shown above. (Assuming some of the Greyhound securities are retained.)

On the negative side, the following points are pertinent:

(1) General Host will sustain a large book loss on its Armour investment.

(2) Host will have no control over a major portion of its assets, i.e., Greyhound securities. The securities may be sold under certain circumstances, but their productivity cannot be increased by Host.

It should be noted that certain factors have not been considered by us in preparing this opinion. Among these considerations are (a) tax consequences of this transaction for Host, (b) present or potential problems under the Investment Company Act. While these factors may play an important part in a decision on the Greyhound offer, they are beyond our area of competence.

It is our opinion, based on the facts outlined above, that the present Greyhound exchange offer is fair to the shareholders of General Host and should be accepted by the Board of Host. This opinion is based in a large part on our feeling that the continued effort of Host to achieve control of Armour will result in a prolonged legal fight with Greyhound. As mentioned above, such a struggle could have adverse effects on both Host and Armour. Acceptance of the Greyhound offer, despite the resultant book loss for Host, presents a fair and equitable alternative to a further contest for control. The cash and securities received from Greyhound should offer (1) good investment opportunities in today's market, (2) the ability to consolidate and restructure the capitalization of General Host.

This opinion letter has been prepared for the exclusive use of the Board of Directors of General Host. It should not be distributed to other sources without prior permission of Allen & Company Incorporated. If there are any further questions, please do not hesitate to call on us.

Sincerely yours,

Alan S. McDowell
Vice President

EXHIBIT 1

JA 907

MARKET VALUE OF PACKAGE

	<u>Minimum</u>	<u>Maximum</u>	<u>Market Range</u>
<u>Greyhound at 18</u>			
Cash	\$ 77,000,000	\$ 77,000,000	
Notes	\$ 36,500,000	\$ 36,500,000	
Preferred	\$ 72,000,000	\$ 88,000,000	(90-110)
Wts at 20	\$ 23,000,000	\$ 30,600,000	30%-40% of common
	<hr/>	<hr/>	
	\$208,500,000	\$232,100,000	
Per Share	\$57.12	\$63.59	
<u>Greyhound at 20</u>			
Cash	\$ 77,000,000	\$ 77,000,000	
Notes	\$ 36,500,000	\$ 36,500,000	
Preferred	\$ 88,000,000	\$100,000,000	(110-125)
Wts at 20	\$ 23,100,000	\$ 38,300,000	33%-45% of common
	<hr/>	<hr/>	
	\$229,600,000	\$251,800,000	
Per Share	\$62.90	\$68.97	
<u>Greyhound at 25</u>			
Cash	\$ 77,000,000	\$ 77,000,000	
Notes	\$ 36,500,000	\$ 36,500,000	
Preferred	\$100,000,000	\$104,000,000	(125-130)
Wts at 20	\$ 37,200,000	\$ 53,100,000	35%-50% of common
	<hr/>	<hr/>	
	\$250,700,000	\$270,600,000	
Per Share	\$68.68	\$74.14	

EXHIBIT 2

JA 908

REALIZABLE VALUE OF PACKAGE IN CASH

	<u>Minimum</u>	<u>Maximum</u>
<u>Greyhound at 18</u>		
Market	\$208,500,000	\$232,100,000
Less: Discount on Notes	5,500,000	2,000,000
Less: 15% Discount on Preferred and Warrants	14,300,000	17,800,000
	<hr/>	<hr/>
	\$188,700,000	\$212,300,000
Per Share	\$51.70	\$58.16
 <u>Greyhound at 20</u>		
Market	\$229,600,000	\$251,800,000
Less: Discount on Notes	5,500,000	2,000,000
Less: 15% Discount on Preferred and Warrants	17,400,000	20,700,000
	<hr/>	<hr/>
	\$206,700,000	\$229,100,000
Per Share	\$56.63	\$62.77
 <u>Greyhound at 25</u>		
Market	\$250,700,000	\$270,600,000
Less: Discount on Notes	5,500,000	2,000,000
Less: 15% Discount on Preferred and Warrants	20,600,000	23,600,000
	<hr/>	<hr/>
	\$224,600,000	\$245,000,000
Per Share	\$61.35	\$67.12

JA 908a

PLAINTIFF'S EXHIBIT NO. 60:

ALLEN & COMPANY, INC. LETTER, DATED FEBRUARY
4, 1969

JA 909

T 'Hfs' 60

ALLEN & COMPANY

Established 1922

30 BROAD STREET, NEW YORK 4 • HANOVER 2-2600

February 4, 1969

Mr. Harris J. Ashton, President
General Host Corporation
245 Park Avenue
New York, New York 10017

Dear Mr. Ashton:

It is in the opinion of Allen & Company that, in the event General Host Corporation in its proposed tender offer receives sufficient shares of Armour and Company to increase General Host's percentage holdings of outstanding Armour stock to an amount in excess of 50%, that on or before August 28, 1969 Allen & Company will be able to refinance the \$9,400,000 of 5½% notes presently held by a group of institutional investors.

This letter is not a firm commitment. Any financing would be subject to market conditions at the time.

Sincerely,


HERBERT A. ALLEN

JA 909a

PLAINTIFF'S EXHIBIT NO. 61:

REVISED GREYHOUND TENDER OFFER

#61

JA 910

THE GREYHOUND CORPORATION

10 SOUTH RIVERSIDE PLAZA

CHICAGO, ILLINOIS 60606

OFFICE OF THE PRESIDENT

January 31, 1969

Dear Armour Stockholder:

Enclosed herewith is a revised Offer dated January 31, 1969 of Greyhound Food Management, Inc., a wholly owned subsidiary of The Greyhound Corporation, to purchase your shares of common stock of Armour and Company at \$70.00 per share in *cash*. You are urged to read the revised Offer in its entirety.

If you have already deposited your shares of Armour in response to our Offer of January 27, 1969, you will receive \$70.00 in *cash* for each Armour share purchased without further action on your part.

We urge that you tender your shares prior to the expiration of our revised Offer on February 10, 1969 and that you execute the Proxy contained in the enclosed Letter of Transmittal.

Very truly yours,

THE GREYHOUND CORPORATION

GERALD H. TRAUTMAN

President

GREYHOUND CORP.

Revised Offer To Purchase 2,500,000 Shares of

ARMOUR AND COMPANY

— Common Stock

By

Greyhound Food Management, Inc.,
a wholly owned subsidiary of

THE GREYHOUND CORPORATION

at \$70.00 per share net

Scheduled to expire Monday, February 10, 1969, unless extended

To Common Stockholders of
ARMOUR AND COMPANY:

Greyhound Food Management, Inc. ("Greyhound") hereby offers to purchase shares of common stock of Armour and Company ("Armour") at \$70.00 per share *net of brokerage commissions and transfer taxes, in cash*, on the terms set forth herein. This offer will expire at 5:00 P.M. Chicago time on Monday, February 10, 1969 unless extended. There will be public notice of any extension.

The closing price of Armour common stock on the New York Stock Exchange on January 24, 1969, the last trading day before the announcement of Greyhound's original offer, was \$59.00. On January 29, 1969, the day before the announcement of this revised offer, such closing price was \$67.50. On January 30, 1969 when this revised offer was announced, such closing price was \$69.50. On January 31, 1969, the date of this revised offer, such closing price was \$70.50.

Lehman Brothers is acting as Dealer Manager in connection with this offer, and Greyhound will pay them the reasonable and customary fees for such services. In addition, members of the NASD and members of national securities exchanges who solicit tenders will be allowed a commission (payable by Greyhound) of \$.70 per share purchased hereunder if their names appear on the Letter of Transmittal.

Greyhound will purchase on February 10, 1969, all shares tendered before 5:00 P.M. Chicago time on that date up to 2,500,000 shares. If more than that number are tendered, Greyhound may elect to purchase any or all of the excess. If it elects to take less than all shares tendered, Greyhound will purchase all tendered shares on a pro rata basis, will give prompt notice of the pro rata portion to be purchased, and will return the unpurchased balance as soon as practicable.

Payment for all shares purchased will be made as soon as practicable after the purchases are made. Tenders may be withdrawn before 5:00 P.M. Chicago time on February 7, 1969. Thereafter they will be irrevocable except that they may be withdrawn after April 1, 1969 unless theretofore purchased by Greyhound.

Armour stockholders who wish to tender their shares must fill out and execute the enclosed Letter of Transmittal, which must either be accompanied by the stock certificates or contain the guarantee (in the space provided in the Letter of Transmittal) of a commercial bank, trust company, or member of a national securities exchange that the certificates will be deposited within five business days after notice of purchase has been given by Greyhound. The Letter of Transmittal so executed (and any accompanying stock certificates) must then be transmitted to the Tender Agent or one of the Forwarding Agents named below. The tender will be deemed to have been made when the Tender Agent or a Forwarding Agent receives either the Letter of Transmittal or a letter from a commercial bank, trust company, or member of a national securities exchange stating that the Letter of

Transmittal has been deposited with it and will be forwarded promptly. The letter must set forth the name of the tendering stockholder, the number of shares tendered and the serial number of the certificates evidencing the shares.

The Tender Agent is:

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO
Corporate Securities Division
231 South La Salle Street
Chicago, Illinois 60690

The Forwarding Agents are:

FIRST NATIONAL CITY BANK
24th Floor
111 Wall Street
New York, New York 10015

BANK OF AMERICA N.T.&S.A.
Corporate Agency Stock Transfer Dept.
P. O. Box 3308
Rincon Annex
1 South Van Ness Avenue
San Francisco, California 94120

Additional information as to Greyhound is set forth below. Greyhound reserves the right to waive any terms or conditions of this offer or any defect in tenders.

ADDITIONAL INFORMATION

Greyhound is a Delaware corporation having its principal office at 2301 West Lafayette Boulevard, Detroit, Michigan 48216. Its principal business is the furnishing of centralized management and accounting services to certain subsidiaries of The Greyhound Corporation which provide industrial and institutional food service or engage in the operation of restaurants both within the bus terminals used by Greyhound Lines, Inc. and elsewhere.

The Greyhound Corporation is a Delaware corporation having its principal office at 10 South Riverside Plaza, Chicago, Illinois 60606. Its principal business is that of a holding company, having no business operations other than the holding of stock and other securities of subsidiaries and engaging in such financing and management as is incidental thereto.

If the offer is accepted to the full extent of 2,500,000 shares, the cost to Greyhound will be \$175 million plus expenses of approximately \$2.5 million. An affiliate of Greyhound has arranged to borrow \$75 million under an existing credit agreement with a group of banks. The agreement calls for repayment over a four year period if not renewed on any March 31 anniversary date, and the interest rate ranges from the prime rate in effect from time to time to such prime rate plus $\frac{1}{4}$ of 1%. The balance of the funds will be obtained by The Greyhound Corporation under established lines of credit with commercial banks at the prime rate plus $\frac{1}{4}$ of 1% and/or through the sale of short term negotiable notes.

Greyhound is purchasing the Armour shares as an investment with a view to control. Depending upon the number of shares acquired pursuant to this Offer, it may or may not obtain control of Armour. In the event that Greyhound should acquire control of Armour, neither Greyhound nor The Greyhound Corporation has any present intention or understanding to liquidate Armour, sell its assets, merge it with any other company, make any major changes in its business or corporate structure, or make any change in the composition of its present Board of Directors or principal officers.

Neither Greyhound nor The Greyhound Corporation nor any of the latter's subsidiaries or their respective affiliates owns, has any right to acquire, or has effected any transactions in any shares of common stock of Armour other than (i) 500,000 shares which Greyhound acquired on national securities exchanges on January 30, 1969 at \$70.00 per share, (ii) 498,893 shares of Armour tendered to Greyhound by the "Prince Interests" pursuant to Greyhound's original offer as set forth below, and (iii) 241,360 shares of Armour which have been deposited as set forth below by Armour stockholders other than the "Prince Interests". To the best of Greyhound's knowledge, none of its officers and directors, none of the officers and directors of The Greyhound Corporation and none of the latter's

subsidiaries or their respective affiliates own any shares of Armour or have effected any transactions in Armour common stock during the past 60 days.

The initial public announcement on the morning of January 27, 1969 of the original Greyhound offer conditioned that offer upon the agreement of the "Prince Interests" to tender their Armour shares to Greyhound. Following a meeting of the Armour Board of Directors that afternoon, the "Prince Interests" entered into the two letter agreements dated January 27, 1969 described below. Shortly thereafter, Greyhound mailed its original offer and a letter from William Wood Prince, Armour's Chairman, to all Armour common stockholders (including the "Prince Interests") and the holders of Armour's 4½% Convertible Subordinated Debentures. Mr. Prince's letter stated that the Armour Board had carefully considered the Greyhound offer and that he was conveying it to the Armour common stockholders and the registered debenture holders as meriting their serious consideration to be weighed in terms of their personal situations.

One of the letter agreements between the "Prince Interests" and Greyhound provided that the "Prince Interests" would convert all of Armour's 4½% Convertible Subordinated Debentures then owned by them (\$400,000 principal amount) into Armour common stock and that those shares, together with any other shares of Armour common stock owned by the "Prince Interests" on January 27, 1969, would be tendered directly to the Tender Agent. On January 28, 1969, 491,072 shares of Armour were deposited with the Tender Agent pursuant to this agreement. Subsequently, the Debentures were converted into 7,821 shares of Armour common stock; and these shares were deposited with the Tender Agent on January 31, 1969.

In the other letter agreement with Greyhound, William Wood Prince and James F. Donovan agreed, individually and as trustees of the "Prince Interests", to vote as Greyhound directs any shares of Armour common stock so registered in their names on January 7, 1969. Greyhound has not given, and has no present understanding that it will give, any direction pursuant to this agreement.

On January 31, 1969, 241,360 shares of Armour common stock (in addition to the 498,893 shares deposited by the "Prince Interests") have been deposited with the Tender and the Forwarding agents. All of these shares and the shares deposited by the "Prince Interests", to the extent purchased, will be purchased for \$70.00 a share and may be withdrawn before 5:00 P.M. Chicago time on February 7, 1969.

Any proxies given on the enclosed Letter of Transmittal with respect to shares of Armour actually purchased by Greyhound pursuant to this offer will be voted by the persons named therein at Armour's annual meeting to be held February 21, 1969 or any adjournments thereof for such candidates as the named proxies in their discretion may determine.

Directors of Greyhound, their principal occupations and business addresses are: Frederick W. Ackerman, Honorary Chairman of the Board of The Greyhound Corporation, 571 Market Street, San Francisco, California; Gerald H. Trautman, President and Chief Executive Officer of The Greyhound Corporation; Jess Nicks, Vice President of The Greyhound Corporation, both of whose business addresses are 10 South Riverside Plaza, Chicago, Illinois; Henry A. Montague, President of Greyhound; Edward R. Marek, Vice President of Greyhound; Max W. Harman, Vice President of Greyhound; James E. Rather, President of Prophet Foods Co.; all of whose business addresses are 2301 West Lafayette Boulevard, Detroit, Michigan; Charles S. Munson, Chairman of Executive Committee of Air Reduction Company, Inc., 150 East 42nd Street, New York, New York; and Peter J. Monaghan, Attorney at Law, 1732 Buhl Building, Detroit, Michigan.

Officers of Greyhound in addition to those referred to above are Ermo Bartoletti, Roger B. Burr, John H. DeSaye, Eugene A. Kray, and George W. Thorsen, Vice Presidents, all of whom are employed full time at 2301 West Lafayette Boulevard, Detroit, Michigan, and George T. Christie, Secretary, and F. Edward Lake, Treasurer. Mr. Christie's and Mr. Lake's principal occupations are as Secretary and Treasurer, respectively of The Greyhound Corporation at 10 South Riverside Plaza, Chicago, Illinois.

Directors of The Greyhound Corporation, their principal occupations and business addresses are: Frederick W. Ackerman, Honorary Chairman of the Board of The Greyhound Corporation, 371 Market Street, San Francisco, California; Gerald H. Troutman, President and Chief Executive Officer of The Greyhound Corporation, 10 South Riverside Plaza, Chicago, Illinois 60606; Raymond P. Shaffer, Executive Vice President of The Greyhound Corporation, 10 South Riverside Plaza, Chicago, Illinois 60606; William R. Adams, President and Chief Executive Officer of St. Regis Paper Company, 150 East 42nd Street, New York, New York 10017; Howard Boyd, Chairman and Chief Executive Officer of El Paso Natural Gas Company, 2727 Allen Parkway, Houston, Texas 77019; Frederick L. Ehrman, Investment Banker (Partner), Lehman Brothers, One William Street, New York, New York 10004; Paul E. Hoover, Honorary Chairman of the Board, Crocker-Citizens National Bank, 1 Montgomery Street, San Francisco, California 94120; Henry A. Montague, President of Greyhound, 2301 W. Lafayette Boulevard, Detroit, Michigan 48216; Charles S. Munson, Chairman-Executive Committee, Air Reduction Company, Incorporated, 150 East 42nd Street, New York, New York 10017; Rankin M. Smith, Insurance Executive, Life Insurance Company of Georgia, 2718 Life of Georgia Tower, 600 West Peachtree Street, N.W., Atlanta, Georgia 30308; Hans Stauffer, Director, Chairman of Finance Committee and Member of Executive Committee, Stauffer Chemical Company, 299 Park Avenue, New York, New York 10017; Harold C. Stuart, Attorney, P. O. Box 1349, Tulsa, Oklahoma 74101; James W. Walker, Vice President, Brady Security & Realty Corporation, 4 West 58th Street, New York, New York 10019; Leslie B. Worthington, retired, 525 William Penn Place, Pittsburgh, Pennsylvania 15230.

The officers of The Greyhound Corporation in addition to those referred to above are: Ralph C. Batastini, Vice President-Finance; Sid Cato, Vice President-Public Relations; Herbert J. DeGaff, Vice President-Marketing; C. J. Fleps, Vice President; Robert E. Gocke, Vice President-Industrial Relations and Personnel; Robert O. Lowe, Vice President-Comptroller; Jess Nicks, Vice President-Food Operations; Stephen F. Snyder, Vice President-Corporate Development; Vernon K. Stephens, Vice President-Sales and Planning; Charles M. Thomas, Vice President-Advertising; George T. Christie, Secretary; F. Edward Lake, Treasurer, all of whom are employed full time at The Greyhound Corporation's principal executive offices located at 10 South Riverside Plaza, Chicago, Illinois 60606.

This offer is not being made to, nor will Greyhound accept tenders from, holders of Armour Common Stock in any state in which this offer or the acceptance thereof would not be in compliance with the laws of such state. In those states whose laws require this offer to be made by a registered broker-dealer, this offer is made on behalf of Greyhound by one or more registered broker-dealers who are licensed under the laws of such state, including Lehman Brothers, who is acting as Dealer Manager for Greyhound in connection with this offer in those states in which Lehman Brothers is so licensed.

All questions as to the validity, form, eligibility (including the time of receipt) and acceptance of any tender of shares will be determined by the Tender Agent, whose determination will be final and binding.

GREYHOUND FOOD MANAGEMENT, INC.

January 31, 1969

JA 9140

DEFENDANTS' EXHIBIT NO. A-11:

LETTER FROM KIRKLAND, ELLIS TO SEC, DATED
DECEMBER 10, 1968

KIRKLAND, ELLIS, HODGSON, CHAFFETZ & MASTERS

PRUDENTIAL PLAZA

CHICAGO, ILLINOIS 60601

TELEPHONE RANDOLPH 6-2929

December 10, 1968

Mr. Philip A. Loomis, Jr.
General Counsel
Securities and Exchange Commission
500 North Capitol Street, N.W.
Washington, D.C. 20549

Dear Mr. Loomis:

Re: General Host Corporation
and
Armour and Company

This will confirm Robert McDowell's and my advice to you at our meeting last Thursday concerning General Host's interest in our client Armour and Company, as follows:

1. General Host filed a Schedule 13D as to its interest in Armour dated September 11, 1968, and it has filed amendments to this Schedule dated October 14, November 6 and December 2, 1968. According to the Schedule as amended to date, General Host owned 1,000,000 shares of Armour on November 30, 1968, or about 16.5% of Armour's outstanding common stock.

2. The financing of General Host's purchases of Armour stock has been provided principally by General Host's private placement of 5% Convertible Notes in the principal amount of \$47,900,000. According to General Host's proxy material this private placement was arranged by Kleiner Bell & Co., Incorporated and Allen & Company, Incorporated for fees of approximately \$562,500 each. According to the December 2, 1968 amendment to the Schedule 13D, the balance of the financing was provided principally by loans of \$14,000,000 from Franklin National Bank (New York City), Union Bank (Los Angeles) and Bank of The Commonwealth (Detroit) under a loan agreement providing for total authorized loans for this purpose of \$20,000,000.

3. Contrary to General Host's statement that there are no arrangements or understandings with respect to the

KIRKLAND, ELLIS, HODSON, CHAFFETZ & MASTERS

PRUDENTIAL PLAZA

CHICAGO, ILLINOIS 60601

Mr. Philip A. Loomis, Telephone RANDOLPH 6-2929

December 10, 1968

securities of Armour, it is our belief that (a) the 5% Convertible Note issue was merely the first step in an overall program of General Host, with the help of its advisers (principally Allen & Company, Incorporated and Kleiner Bell & Co., Incorporated) to acquire working control of Armour, (b) the next step in the program is to make either a cash tender offer or a registered exchange offer for a number of shares of common stock of Armour that would assure General Host of working control, and (c) the final step in the program is to combine Armour and General Host in such manner that Armour's resources may be employed to carry and/or pay obligations of General Host. This belief is based on information which officers of our client have received from: (i) a number of banks across the country who have been invited by Union Bank, or one of the other banks mentioned above, to join a consortium to provide a very large loan to General Host for a take-over of Armour; (ii) one of the purchasers of General Host's 5% Convertible Notes who tried to arrange a meeting with Armour and who stated that General Host was in the process of raising \$100,000,000 to buy control of Armour; (iii) a friend of Armour management who learned from Allen & Company that it was optimistic over General Host's plan to raise \$100,000,000 for General Host to complete its program; (iv) three investment companies owning a total of 297,000 shares of Armour who have told Armour that they have received inquiries regarding the purchase of their stock; (v) a wealthy stockholder of Armour who has informed Armour that General Host is now planning an exchange offer to acquire 2,000,000 shares of Armour for a price of \$70 to \$75 in cash and securities; and (vi) Armour's stock transfer records showing that some of the purchasers of the 5% Convertible Notes have acquired large holdings of Common Stock of Armour, these persons being the Putnam Income Fund and the Putnam Duo-Fund which together own 155,000 shares of Armour, Kleiner Bell & Co. which holds in its name approximately 72,000 shares of Armour, and the Wilmington Trust Company which owns approximately 21,000 shares of Armour.

We believe that the high debt-equity ratio of General Host (presently between four and five-to-one) raises important questions as to its sources of repayment of its large borrowings. Based on our past experience in this kind of transaction, it appears obvious to us that the lenders will be looking for repayment to the resources of Armour and Company.

KIRKLAND, ELLIS, HODSON, CHAFFETZ & MASTERS

PRUDENTIAL PLAZA

CHICAGO, ILLINOIS 60601

Mr. Philip A. Loomis, TELEPHONE RANBOLPH 6-2920

December 10, 1968

Even allowing for the hearsay nature of our evidence, it is our opinion that General Host is probably presently in violation of the disclosure requirements of Section 13(d) of the Securities Exchange Act of 1934 and the rules thereunder.

If upon further investigation there appears to be a concerted group effort by General Host and others to acquire stock of Armour, a filing of 13D Schedules by the group would seem to be in order.

In addition to possible violations of Sections 13(d) of the Exchange Act, we believe General Host's various lenders may have violated Regulations G, T or U, as the case may be. As you know, these regulations apply to purpose credits secured "directly or indirectly by any stock." The question is whether the loans referred to above have been secured indirectly by the Armour stock acquired by General Host. It has been our experience in matters of this kind that the lenders take practical measures to insure the inability of the borrower to dispose of the stock. Often one of the bank lenders simply holds the stock certificates with no written agreement but with the verbal understanding that the stock will not leave the bank. In our opinion, any such restrictions on the customer's right or ability to dispose of the Armour stock would constitute violations of these regulations.

Accordingly, we respectfully suggest that you should now inquire from General Host and its various lenders and financial advisers whether and to what extent our advice to you is true, and upon receipt of their answers make such further investigation and take such further action as you deem proper.

Very truly yours,

KIRKLAND, ELLIS, HODSON, CHAFFETZ & MASTERS

By

Elmer W. Johnson

EWJ:rt

JA 917a

DEFENDANTS' EXHIBIT NO. A-12:

LETTER FROM SEC TO SULLIVAN AND CROMWELL, DATED
DECEMBER 12, 1968



DIVISION OF
CORPORATE REGULATION

JA 918

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

12

DEC. 12 1968

Robert McDowell, Esq.
Sullivan & Cronwell
48 Wall Street
New York, New York 10005

Dear Mr. McDowell:

In your letter of November 25, 1968 you ask that we make whatever investigation we deem appropriate to determine whether General Host Corporation should be registered as an investment company. You will recall that we also discussed this matter at the meeting in our office on December 5, 1968.

I assure you that we are actively looking into the matter and that we will take whatever action we believe appropriate.

Sincerely yours,

Alan Rosenblat
Chief Counsel

JA 918a

DEFENDANTS' EXHIBIT NO. A-13:

LETTER FROM KIRKLAND, ELLIS TO SEC, DATED
DECEMBER 16, 1968

December 16, 1958

Mr. Philip A. Loomis, Jr.
General Counsel
Securities and Exchange Commission
500 North Capitol Street, N.W.
Washington, D.C. 20549

Dear Mr. Loomis:

Re: General Host Corporation
and
Armour and Company

Reference is made to our letter to you of December 10 regarding the above matter.

We have just learned that General Host has filed an amendment to its Schedule 13D re Armour. This amendment states that General Host "is considering the possibility of obtaining control of Armour & Co....by means of an offer made generally to Armour's stockholders," and that "any final decision in this regard must await further analysis and consideration of legal and business problems involved." If it acquires control of Armour, General Host stated that it may propose a merger and/or sale of some of Armour's assets and changes in Armour's business or corporate structure.

We believe this new amendment goes far to confirm our earlier advice to you and the need for a full SEC investigation. The amendment falls far short of curing the deficiencies contained in General Host's earlier filings, which deficiencies were set forth in our December 10 letter, and in fact makes a mockery of the Williams amendment by merely quoting the language of Rule 13(d)(1)(C) without making any meaningful disclosure. The truth is that (a) General Host finally intends to obtain control of Armour and is bending every effort to raise the financing necessary to carry out its intent; and (b) if it is successful, the only means of repayment of its borrowings will be Armour's resources. Had timely and accurate disclosure of these facts been made, General Host would,

Mr. Philip J. Rosin, Jr.

New York 15, 1935

of course, there would be a possibility of approximately 200,000 shares of Arrow on the open market in New York at prices of substantially higher value. Even if the correct amount is actually disclosed then, still, this would not remedy the injury to those Arrow former shareholders who sold their shares to General Host in the last few months in ignorance thereof. The extent of the injury to those former Arrow shareholders will become evident when General Host announces the terms of its tender offer to the remaining Arrow shareholders.

It is likely that the Commission shortly will be in receipt of material, filed under either 11(d) of the Exchange Act or the Securities Act of 1933, covering a public tender offer by General Host for shares of Arrow at a price, whether in cash or securities or both, significantly higher than the prices paid to those former Arrow shareholders who did not have the advantage of the publicity that would have attended the filing of a correct, complete and timely 13D Schedule.

In anticipation of such a filing the Commission would now warn General Host that it has reason to believe that General Host has not complied with 11(d) in material respects, and that if General Host intends to file either an exchange offer registration statement under the Securities Act or cash tender offer material under 11(d) of the Exchange Act for the purpose of acquiring additional shares of Arrow, General Host should first either confirm to the Commission that it will, or persuade the Commission why it should not be required to, cure its violations of 11(d) by including in its offering material an offer to the former shareholders of Arrow who sold their shares to General Host within the last two or three months. This offer would afford each such former shareholder the choice of either (a) resending his sale of Arrow shares to General Host, or (b) surrendering the cash price previously received by him in exchange for the price in cash and/or securities set forth in General Host's offering material.

If General Host is unable to persuade the Commission why it should not be required to include such an offer (or a suitable alternative) in its offering material, and is unwilling to comply with the Commission's request, we respectfully suggest that the Commission should consider what

Mr. William L. Woods, Jr.

March 16, 1937

Section 13(1)(2) and 13(2) of the Federal Reserve Act as amended. The Federal Reserve Board has determined that the above-mentioned provisions of the Act do not apply to the operation of the Federal Reserve Bank in the United States.

Under this provision, the Federal Reserve Bank is not in violation of the Federal Reserve Act, as the Federal Reserve Bank, which would be in violation of the Federal Reserve Act, is not likely to be guilty of any violation of the Federal Reserve Act, and the Federal Reserve Bank, which is not likely to be guilty of any violation of the Federal Reserve Act, is not likely to be guilty of any violation of the Federal Reserve Act.

We are enclosing a copy of our letter dated today to the Federal Reserve Board regarding the above-mentioned provisions of the banking laws by General Board's decision.

Very truly yours,

KIRKLAND, FISH, THOMSON, GREENE & BENTLEY

By

William W. Johnson

WU:rc

JA 921a

DEFENDANTS' EXHIBIT NO. A-15(1):

GENERAL HOST EXCHANGE OFFER ANNOUNCEMENT
DATED DECEMBER 23, 1968

For Immediate Release
Monday, December 23, 1968

General Host Corporation intends to make an exchange offer for any and all shares of Armour and Company common stock, Richard C. Pistell, Chairman of General Host, announced today. General Host intends to offer for each share of Armour stock \$60 principal amount of its own 7% debentures due January 31, 1994, and one and one-half warrants to purchase General Host common at \$45 per share, expiring January 31, 1979. Each warrant is for the purchase of one General Host share. The exchange offer is subject to the approval of General Host shareholders at a special meeting to be held in the latter part of January and will be made only after the General Host securities to be offered have been registered with the Securities and Exchange Commission.

From Len Matt
Ted Deglin & Associates, Inc.
63 East 80th Street
New York, New York 10021
628-3550

JA 922a

DEFENDANTS' EXHIBIT NO. A-16

ARTICLE, WALL STREET JOURNAL, DATE: DECEMBER
24, 1968

General Host Bid, Widely Expected, Made for Armour

12/21/68

Warrants, \$50 of Debentures
Offered for Each Common;
General Host Vote Needed

Plan 'Termed 'Hocus-Pocus'

By a WALL STREET JOURNAL Staff Reporter

NEW YORK—General Host Corp. has made its widely expected exchange offer for "any and all common shares" of Armour & Co.

Armour, a Chicago-based food, chemicals and industrial products concern, has said it will fight a General Host take-over bid. Last week, in an apparent attempt to ward off General Host, Armour announced an exchange offer for Williams Brothers Co., a Tulsa-based pipeline and pipeline services concern.

Yesterday, Armour assailed the General Host proposal as "financial hocus-pocus" that amounts to "a pyramiding of paper." General Host would print as many as 8.5 million warrants and would add \$350 million of debentures onto "the already over-burdened debt structure of General Host," Armour charged, and asserted that the offer is "topsy-turvy."

General Host, a diversified concern with convenience food, food services and tourism operations, said it will offer Armour stockholders for each of their shares:

—A total of \$50 principal amount of its 7% debentures, due Jan. 31, 1994.

—One and a half warrants to purchase General Host common at \$15 a share until Jan. 31, 1979. General Host common closed on the New York Stock Exchange yesterday at \$41.75, off 75 cents.

General Host already is the largest single Armour shareholder, with one million shares, or 16.5% of the outstanding.

The exchange offer is subject to General Host holders' approval at a special meeting that the company says will be held "in the latter part of January."

Armour has said that General Host may face antitrust difficulties if it attempts to gain control of Armour. The company's legal counsel has said that if General Host takes any role other than that of an investor, it will be violating the principles of the packers' consent decree of 1920 and general antitrust laws.

The packers' consent decree prohibited major packers from entering into a long list of retail food and other consumer businesses.

JA 923 *a*

DEFENDANTS' EXHIBIT NO. A-18:

HOST S-1 REGISTRATION STATEMENT

As filed with the Securities and Exchange Commission on December 30, 1968.

Registration No. 2-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM S-1

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

General Host Corporation

(Exact name of registrant as specified in charter)

245 Park Avenue
New York, New York 10017
(Address of principal offices)

WILLIAM F. DOWNEY, Esq.
Lovejoy, Wasson, Lundgren & Ashton
250 Park Avenue
New York, New York 10017
(Name and address of agent for service)

Copies to:

GEORGE M. DUFF, JR., Esq.
Holtzmann, Wise & Shepard
30 Broad Street
New York, New York 10004

LEWIS D. LOWENFELS, Esq.
Goldfeld, Charak, Tolins & Lowenfels
711 Fifth Avenue
New York, New York 10022

Approximate date of commencement of proposed sale to the public:

As soon as practicable after the effective date of the Registration Statement.

CALCULATION OF REGISTRATION FEE

Title of each class of securities being registered	Amount being registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Warrants Expiring January 31, 1979 to Purchase Common Stock at \$45 per share	8,655,000 Wrts.	\$58.50 (1)	\$337,545,000 (1)	\$67,509
7% Subordinated Debentures due January 31, 1994	\$346,200,000			
Common Stock (\$1.00 par value per share)	(2)	\$45 (3)	\$389,475,000 (3)	\$77,895
Total				\$145,404

- (1) Based upon the low selling price of Common Stock of Armour and Company on the New York Stock Exchange on December 19, 1968 in accordance with Rule 457(e).
- (2) Such indeterminate number of shares of Common Stock as may be issuable upon exercise of the Warrants registered hereunder.
- (3) Exercise price of Warrants, in accordance with Rule 457(h).

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

GENERAL HOST CORPORATION

Cross Reference Sheet Furnished Pursuant to Rule 404(c)

<u>Registration Item</u>	<u>Caption in Prospectus</u>
1. Distribution Spread	*
2. Plan of Distribution	Cover Page; The Exchange Offer
3. Use of Proceeds to Registrant	The Exchange Offer
4. Sales Otherwise than for Cash	The Exchange Offer
5. Capital Structure	Capitalization
6. Summary of Earnings	General Host Corporation Consolidated Statement of Income
7. Organization of Registrant	General Host Corporation
8. Parents of Registrant	Principal Shareholders
9. Description of Business	History and Business of General Host
10. Description of Property	History and Business of General Host
11. Organization Within Five Years	*
12. Pending Legal Proceedings	Pending Litigation
13. Capital Stock Being Registered	The Exchange Offer; Description of Common Stock
14. Long-Term Debt Being Registered	The Exchange Offer; Description of Debentures
15. Other Securities Being Registered	The Exchange Offer; Description of Warrants
16. Directors and Executive Officers	Management
17. Remuneration of Directors and Officers	Management
18. Options to Purchase Securities	Management
19. Principal Holders of Securities	Principal Shareholders
20. Interest of Management and Others in Certain Transactions	Recent History; Management
21. Financial Statements	General Host Corporation and Armour and Company Pro Forma Combined Statements of Income
	General Host Corporation and Armour and Company Pro Forma Combined Balance Sheets
	General Host Corporation Consoli- dated Statement of Income
	General Host Corporation Consoli- dated Financial Statements
	Armour and Company— Consolidated Statement of Earnings
	Consolidated Statement of Financial Position
	Consolidated Statements of Capital in Excess of Par Value and Earnings Employed in the Business
	Notes to Financial Statement

* Not applicable.

PROSPECTUS

General Host Corporation

\$346,200,000 7% Subordinated Debentures due January 31, 1994

**8,655,000 Warrants Expiring January 31, 1979, to Purchase
General Host Common Stock at \$45 per share**

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

General Host Corporation ("General Host", "General" or the "Company") hereby offers, subject to the approval of its shareholders and upon the terms set forth herein under "The Exchange Offer", to exchange General Host 7% Subordinated Debentures due January 31, 1994 ("Debentures"), and General Host Warrants expiring January 31, 1979 to purchase General Host Common Stock at \$45 per share ("Warrants") for any or all of the outstanding Common Stock of Armour and Company ("Armour") tendered in accordance with this Exchange Offer, in the ratio of

**\$60 principal amount of Debentures
and**

1 1/2 Warrants

(each warrant to purchase one share of General Common Stock)

for each share of Armour Common Stock.

If approval of General Host's shareholders is obtained, General Host will accept all shares of Armour Common Stock tendered pursuant to the Exchange Offer. With respect to all shares tendered prior to the date of such shareholder approval, General Host Debentures and Warrants will be delivered on the date of such approval or as soon thereafter as is practicable. General Host Debentures and Warrants will be delivered daily, as soon as practicable, as shares of Armour Common Stock are tendered, after approval of the Exchange Offer by General Host shareholders.

The Exchange Offer expires 8:00 o'clock P.M., New York time, on January , 1969, unless extended by General Host.

Stockholders of Armour who wish to accept this Exchange Offer should send the certificates for the Armour Common Stock they wish to exchange, together with the Letter of Tender and Proxy accompanying this Prospectus, to one of the Exchange Agents or Forwarding Agents.

Allen & Company Incorporated and Kleiner, Bell & Co., Incorporated, as Dealer Managers, have agreed to use their best efforts to make arrangements for selecting Soliciting Dealers, including themselves, to solicit tenders of Armour Common Stock pursuant to this Exchange Offer. See "Solicitation of Tenders" under "The Exchange Offer". General Host has agreed to pay the Dealer Managers 40¢ for each tendered share of Armour Common Stock. In addition, Soliciting Dealers who are named by tendering Armour stockholders as having solicited any tender of Armour Common Stock will be paid \$1.00 for each share of Armour Common Stock so tendered. It is estimated that other expenses of General Host in connection with the Exchange Offer may approximate \$900,000.

On January , 1969 the last reported sale price for General Host Common Stock on the New York Stock Exchange was \$ per share, and the last reported sale price for Armour Common Stock on the New York Stock Exchange was \$ per share.

ALLEN & COMPANY
INCORPORATED

KLEINER, BELL & CO.,
INCORPORATED

The date of this Prospectus is January , 1969.

A registration statement relating to these securities has been filed with the Securities and Exchange Commission, but has not yet become effective. Information contained herein is subject to completion or amendment. This prospectus shall not constitute an offer to sell or a solicitation of an offer to buy any securities in any state in which such offer is prohibited by law.

No person has been authorized to give any information or to make any representation not contained in this Prospectus, in connection with offers made by this Prospectus; and any information or representation not contained herein must not be relied upon as having been authorized by General Host or any Soliciting Dealer. This Prospectus does not constitute an offer of the securities to which it relates in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. Neither the delivery of this Prospectus nor any exchange made hereunder shall under any circumstances create an implication that there has been no change in the affairs of General Host since the date hereof.

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IN CONNECTION WITH THIS OFFERING, THE DEALER-MANAGERS MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE DEBENTURES, WARRANTS AND COMMON SHARES OF GENERAL AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED, IN THE CASE OF GENERAL'S COMMON SHARES, ON THE NEW YORK AND PACIFIC COAST STOCK EXCHANGES OR OTHERWISE, IN THE CASE OF GENERAL'S WARRANTS, ON A WHEN-ISSUED BASIS AND AFTER ISSUANCE IN THE OVER-THE-COUNTER MARKET UNLESS AND UNTIL LISTED ON THE AMERICAN STOCK EXCHANGE AND THE PACIFIC COAST STOCK EXCHANGE AND THEREAFTER ON SUCH EXCHANGES, AND, IN THE CASE OF GENERAL'S DEBENTURES, ON A WHEN-ISSUED BASIS AND AFTER ISSUANCE IN THE OVER-THE-COUNTER MARKET UNLESS AND UNTIL LISTED ON THE NEW YORK STOCK EXCHANGE AND THE PACIFIC COAST STOCK EXCHANGE AND THEREAFTER ON SUCH EXCHANGES. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

GENERAL HOST CORPORATION

General Host Corporation was incorporated as General Baking Company under the laws of the State of New York in 1911. The present name was adopted in April, 1967. The Company's principal executive offices are located at 245 Park Avenue in New York City.

Three of the Company's divisions, "Van de Kamp's" on the West Coast, "Bond" in the East and parts of the Midwest and "Eddy" in the Northwest, manufacture and sell complete lines of baked goods, including bread, rolls, cakes, pies, sweet goods, cookies, doughnuts and miscellaneous bakery products. Van de Kamp's also processes and sells frozen convenience foods and specialty items and operates coffee shops and restaurants. Another division, "Vernell's", manufactures candy which is sold throughout the country. See "Food Production and Processing Operations".

The Company's "Li'l General" division operates convenience stores, small self-service extended hour grocery stores, primarily in the South and Southeast. See "Convenience Store Operations".

Two wholly-owned subsidiaries, Yellowstone Park Company and Everglades Park Co., Inc., operate inns, lodges, restaurants, gasoline service stations and recreational facilities at Yellowstone National Park in Wyoming and Everglades National Park in Florida, respectively. Both companies operate under long-term concession contracts with the U. S. National Park Service.

THE EXCHANGE OFFER

Terms and Conditions

General Host hereby offers to exchange General Host 7% Subordinated Debentures due January 31, 1994 ("Debentures") and General Host Warrants expiring January 31, 1979 to purchase General Host Common Stock at \$45 per share ("Warrants") for all of the outstanding shares of Armour Common Stock tendered in accordance with this Exchange Offer in the ratio of

\$60 PRINCIPAL AMOUNT OF 7% DEBENTURES AND 1½ WARRANTS, EACH
WARRANT TO PURCHASE ONE SHARE OF GENERAL COMMON STOCK, IN
EXCHANGE FOR EACH SHARE OF ARMOUR COMMON STOCK.

The Exchange Offer is conditioned upon approval thereof, and upon an increase in presently authorized shares, by the shareholders of General Host. A meeting of shareholders to approve the Exchange Offer has been called for January 20, 1969. Approval has been recommended by the Board of Directors of General Host.

The Company intends to apply for listing of the Debentures on the New York Stock Exchange and Pacific Coast Stock Exchange, and the Warrants on the American Stock Exchange and the Pacific Coast Stock Exchange.

IF SHAREHOLDER APPROVAL IS OBTAINED GENERAL HOST WILL ACCEPT ANY AND ALL SHARES OF ARMOUR COMMON STOCK TENDERED PURSUANT TO THE EXCHANGE OFFER.

Expiration Date

The Exchange Offer will expire at 8:00 o'clock P.M., New York time, on January , 1969, subject to extension by General Host for a further period. Any such further period will be terminable by General Host on not less than 24 hours' notice delivered to the Exchange Agents. Such date as so extended is herein referred to as the "Expiration Date".

Exchange Agents

The Exchange Agents are The First Jersey National Bank and Union Bank. All correspondence to the Exchange Agents should be addressed as follows:

The First Jersey National Bank	(hand deliveries: 1 Exchange Place
P. O. Box	Jersey City, New Jersey
Jersey City, New Jersey 07306	Window 20)
Union Bank	(hand deliveries: 742 South Hill Street
Corporate Trust Department	Los Angeles, California
P. O. Box 2278	10th Floor)
Terminal Annex	
Los Angeles, California 90054	

Forwarding Agents

The Forwarding Agents are:

Republic National Bank of Dallas	(hand deliveries: Republic National Bank Building
Corporate Trust Department	Pacific at Ervay Streets
P. O. Box 2964	Dallas, Texas
Dallas, Texas 75221	6th Floor)
Girard Trust Bank	(hand deliveries: 1421 Chestnut Street
Corporate Trust Department	Philadelphia, Pennsylvania
Philadelphia, Pennsylvania 19101	10th Floor)
Crocker Citizens National Bank	(hand deliveries: 1 Montgomery Street
Corporate Trust Division	San Francisco, California
1 Montgomery Street	8th Floor)
San Francisco, California 94120	

Obligation to Purchase All Armour Shares

General Host will irrevocably accept and will be deemed to have accepted all tendered shares of Armour Common Stock as of the later of (a) the date of approval of the Exchange Offer by the shareholders of General Host or (b) the date of receipt of the Letter of Tender or an appropriate telegram or letter of guaranty by an Exchange Agent or Forwarding Agent, provided that such agent determines that the documentation with respect to such shares is complete or that General Host has waived any defects.

Fractional Interests

No Debenture having a principal amount of less than \$100, and no fractional Warrant, will be issued pursuant to the Exchange Offer. Instead, each Armour stockholder who accepts the Exchange Offer will thereby be deemed to have irrevocably appointed the Exchange Agents his agents to deal

with his fractional interests, if any. By indicating upon his Letter of Tender his desire to buy that additional fraction of a Debenture which will entitle him to a Debenture having a principal amount of \$100 or a multiple thereof, and by indicating upon such letter his desire to buy such additional fraction of a Warrant as will entitle him to a full Warrant or to sell the fraction of a Debenture or of a Warrant to which he is entitled, the stockholder may have the appropriate fraction sold or bought for him. If no request for the purchase or sale of a fractional interest is received by an Exchange Agent, the stockholder will be deemed to have elected to sell any such fractional interest. Fractional interests purchase and sale orders will be effected as soon as practicable from time to time on the basis of prevailing market prices. If the stockholder elects to sell any fractional interest, the sale price thereof will be remitted to him by check promptly after sale by an Exchange Agent. If he elects to buy a fractional interest, an Exchange Agent will bill him for the purchase price thereof and, upon receipt of such purchase price, a certificate for a Debenture in the amount of \$100 or a multiple thereof and/or a certificate for a full Warrant will be issued to the Exchange Agent as agent for the stockholder. If a stockholder who elects to purchase a fractional interest fails to remit the purchase price thereof to the Exchange Agent within thirty days after being billed, the Exchange Agent may sell such fractional interest for the account of the stockholder. All expenses payable in connection with such purchases or sales of fractional interests will be borne by General Host.

Delivery of Debentures and Warrants

With respect to all shares of Armour Common Stock tendered prior to the date of approval of the Exchange Offer by General Host shareholders, General Host Debentures and Warrants will be delivered on the date of such approval or as soon as practicable thereafter. As shares of Armour Common Stock are tendered from time to time after such approval, General Host Debentures and Warrants will be delivered as soon as practicable on a daily basis. However, in the case of tenders by telegram or letter of guarantee, General Host Debentures and Warrants will be delivered as soon as practicable after the Letters of Tender and Proxy and tendered certificates relating to such guarantees have been received by General Host. If General Host Warrants or Debentures issued in respect of purchased fractional interests are not immediately available for delivery, such Warrants and Debentures will be mailed separately as soon as they are available, but the remaining General Host Debentures and Warrants to which Armour stockholders are entitled will be delivered on the basis set forth above. All Debentures will be dated as of February , 1969 and will bear interest from such date. A cash payment in lieu of interest will be paid to tendering stockholders from the date the tender is accepted prior to February , 1969.

In order to expedite delivery, each tendering Armour stockholder will receive as soon as possible after his delivery of Armour stock one General Host Debenture in a denomination representing the aggregate principal amount and one General Host Warrant in a denomination representing the whole number of Warrants to which he is entitled under the Exchange Offer, except that a \$100 Debenture and/or a single Warrant which may be due in accordance with purchase instructions respecting fractional interests will be delivered thereafter, as soon as possible after such purchase has been effected and paid for.

Methods of Tendering Shares

Stockholders of Armour may tender their shares by completing and signing the Letter of Tender accompanying this Prospectus and delivering such Letter of Tender, together with their stock certificates, to an Exchange Agent or Forwarding Agent on or prior to the Expiration Date. Insured registered mail, return receipt requested, is recommended if the mails are used. **Letters of Tender and stock certificates should not be delivered to General Host.** Shares will also be deemed properly tendered if, (a) prior to the Expiration Date, an Exchange Agent or Forwarding Agent shall have received from a commercial bank or trust company in the continental United States, or a member firm of any registered national securities exchange or member of the National Association of Securities Dealers, Inc., a letter or telegram giving the name of the tendering holder, the number of shares tendered, and guaranteeing that the shares will be delivered to such Agent within eight business days after notice of acceptance of such tendered shares, and that such shares will be accompanied by a properly executed Letter of Tender

relating to such shares (in which case, subject to subsequent compliance with clause (b) below, the shares to which the letter or telegram relates shall be deemed properly tendered as of the later of the date of approval of the transaction by the shareholders of General Host or the date of receipt of the letter or telegram); and (b) such Agent shall have in fact received the Letter of Tender and tendered certificate or certificates within eight business days after notice of acceptance of the tendered shares.

Tendered Stock

All tenders of stock of Armour are irrevocable. No variation in the terms of the Exchange Offer is presently contemplated. However, circumstances may arise under which the terms of the offer may be increased. Among the factors that might have a bearing on any decision to vary the terms of the Exchange Offer would be changes in market conditions and competitive bids for Armour stock, neither being presently predictable. In the event that Armour changes its business structure through the spin-off of assets or subsidiaries or similar actions, exchange offers may be made in respect of such spun-off assets or subsidiaries. If for any reason the terms of the offer should be increased, the terms of this Exchange Offer will be deemed amended so that all Armour holders tendering their shares pursuant to this Exchange Offer will receive any such increase, whether tendering before or after any such increase.

Any irregularities in connection with the tender of shares must be cured within such time as General Host shall determine, unless waived by General Host in its sole discretion. All tendered stock which is not in acceptable form for tender will be returned, without cost, by the Exchange Agents or Forwarding Agents to the appropriate tendering stockholder as soon as practicable.

The Letter of Tender contains an irrevocable proxy in favor of General Host's nominees authorizing the voting, at any annual or special meeting of Armour stockholders, of tendered shares which are accepted prior to the date of such meeting, as well as an irrevocable special power of attorney to receive all future dividends and other rights and benefits and to execute from time to time one or more further proxies in favor of a nominee or nominees of General Host. Such proxies and power of attorney are solely for the purpose of vesting General Host with the full benefits of beneficial ownership of such shares pending the recording of the transfer of such shares on the books of Armour.

Solicitation of Tenders

Allen & Company Incorporated and Kleiner, Bell & Co., Incorporated, as Dealer Managers have entered into an agreement with General Host a copy of which is filed as an exhibit to the Registration Statement, whereby they have agreed to use their best efforts to make arrangements for selected securities dealers ("Soliciting Dealers"), including themselves, to solicit exchanges pursuant to the Exchange Offer. As compensation for such services, General Host will pay to the Dealer Managers a fee of 40¢ for each share of Armour Common Stock tendered in accordance with the Exchange Offer, to be shared equally between them. No fees will be paid with respect to shares tendered after the Expiration Date. In addition, The Kissel-Blake Organization, Inc. has been retained to assist in the solicitation of tenders.

Soliciting Dealers, including the Dealer Managers when they act as such, not including The Kissel-Blake Organization, Inc., will receive a fee of \$1.00 for each share of Armour Common Stock tendered in accordance with the Exchange Offer, but only if, with the approval of the tendering stockholder, the name of such Soliciting Dealer has been inserted in a duly executed Letter of Tender in recognition of the Dealer's services in effectuating the exchange and if such fee, in the opinion of General Host's counsel, may legally be paid. No fees will be paid to Soliciting Dealers if the Exchange Offer is not consummated.

The Soliciting Dealers, including the Dealer Managers, and The Kissel-Blake Organization, Inc. may be deemed to be underwriters within the meaning of the Securities Act of 1933. The Dealer Managers Agreement provides that General Host will indemnify the Soliciting Dealers, including the Dealer Managers, against certain civil liabilities, including liability under the Securities Act of 1933.

Payment of Expenses

The expenses to be incurred in connection with the Exchange Offer, including the fees of the Exchange Agents, Forwarding Agents and The Kissel-Blake Organization, Inc. (which has been retained for a fee of \$10,000 plus expenses estimated at \$25,000 to assist in the solicitation of tenders), printing, accounting and legal fees, fees for registering the Debentures and Warrants (and shares of stock issuable pursuant to the Warrants) under Federal and state securities laws, stock transfer taxes, and miscellaneous

other items, will be paid by General Host. Such expenses cannot be estimated with accuracy because of the variable factors involved; however, if all shares of Armour common stock were tendered, it is estimated that such expenses may be approximately \$900,000. In addition General Host has agreed to pay the fees and expenses of the Dealer Managers and Soliciting Dealers as set forth above under "Solicitation of Tenders".

Federal Income Tax Consequences to Armour Stockholders Who Tender:

General Host has received an opinion from its counsel, Messrs. Lovejoy, Wasson, Lundgren & Ashton, that as to each Armour stockholder who exchanges shares of Armour Common Stock for Debentures and Warrants pursuant to the Exchange Offer:

- (a) Such Armour stockholder will realize gain or loss for Federal income tax purposes.
- (b) Gain or loss realized will be capital gain or loss if the stock of Armour exchanged is a capital asset. The gain or loss will be long-term or short-term, depending on whether such stock has been held for Federal income tax purposes for more than six months.
- (c) Any Armour stockholder in whose hands the Armour Common Stock is a capital asset and who realizes a gain by acceptance of the Exchange Offer may by proper election postpone the Federal income taxation of such gain by reporting the exchange on the installment basis under Section 453 of the Internal Revenue Code, if the consideration received by him on the exchange exceeds \$1,000 and the value of the Warrants received by him under the terms of the Exchange Offer in the year in which the exchange takes place does not exceed 30 per cent of the selling price under the Exchange Offer of such Armour Common Stock. Based on values at the effective date of the Exchange Offer the value of Warrants received by Armour stockholders may exceed 30 per cent of the selling price under the Exchange Offer, in which case installment basis treatment would not be available. Any Armour stockholder who elects the installment basis should report as gain in any taxable year that portion of the payments received in that year (including, in the taxable year in which the exchange occurs, the fair market value of the Warrants on the date of exchange) which the total gain bears to the total value of the selling price. If such Armour stockholder disposes of his Debentures (within the meaning of Section 453(d) of the Code), he will realize gain or loss in the taxable year of such disposition.
- (d) Any Armour stockholder who cannot or does not elect to report his gain on the installment basis will realize gain or loss in the taxable year in which the exchange is made measured by the difference between (i) the fair market value of the Debentures and Warrants on the date of such exchange, and (ii) his cost or other basis for the Armour stock exchanged.

Counsel has expressed no opinion with respect to the Federal income tax consequences of the Exchange Offer to stockholders of Armour who are dealers in securities or are otherwise ineligible for capital gain or loss treatment or who are members of special classes of taxpayers under special provisions of the Code. In addition, counsel has expressed no opinion with respect to the Federal income tax consequences to Armour stockholders of any original issue discount on the Debentures. There is no clear authority as to whether discount can exist where debentures are issued in exchange for common stock. Under the proposed Regulations promulgated by the Treasury Department under Section 1232 of the Code, no original issue discount would exist if discount is less than $\frac{1}{4}$ of 1 per cent of the redemption price of the Debentures at maturity multiplied by the number of complete years to maturity. It is impossible to determine whether the proposed Regulations will become effective in their present form.

For further information regarding the Federal income tax consequences of the Exchange Offer, Armour stockholders are advised to consult with their own tax advisors.

Basis for Determination of the Exchange Offer

In arriving at the Exchange Offer, General Host has taken into consideration the relative financial positions and recent operating results of General Host and Armour and the businesses of each. Consideration was also given to the market values of their securities. None of the Debentures or Warrants to be issued in the Exchange Offer are outstanding and therefore there is no established market for them.

In August, 1968, General Host purchased 150,000 shares of Armour stock from Gulf & Western Industries, Inc. ("Gulf & Western"), and received an option from Gulf & Western to purchase an additional 600,000 shares of Armour. General Host paid \$56 per share for the 150,000 Armour shares and issued to Gulf & Western a ten-year warrant to purchase 175,000 shares of General Host's Common Stock at \$30 per share. The number of shares subject to the warrant have since increased to 184,405 and the warrant exercise price has been reduced to \$28.47 per share pursuant to the antidilution provisions of the warrant. In October, 1968, General Host exercised its option and purchased the 600,000 shares of Armour from Gulf & Western at a price of \$60 per share. Subsequently, General Host purchased an additional 252,500 shares of Armour stock in the open market at varying prices which averaged \$58.74 per share. Presently General Host owns 1,002,500 shares of Armour stock representing approximately 16.5% of the total outstanding.

Antitrust Aspects

The United States Department of Justice in August, 1968 requested General to furnish information regarding its purchases of Armour stock and the Company responded to this request. Counsel for General have conferred from time to time with the Department of Justice in connection with General's purchases of Armour stock and the Department has been informed of the proposed Exchange Offer. A 1920 Packers' Consent Decree to which Armour is subject forbids Armour from engaging in a number of businesses, and General is engaged in some of these businesses. General is not a party to this Packers' Consent Decree, but it is possible that a court might construe the Decree to restrict General's control of Armour. The Department of Justice has indicated to General that in its view the acquisition of control of Armour by General under present circumstances would violate this Decree. Accordingly, it may become necessary or desirable for General to modify, dispose of, or agree to dispose of, a substantial part of its assets and businesses. Further discussions between the Company and the Department are presently being held on this matter. Any disposition by General of any portion of its assets would be made only to the extent that management, upon advice of legal counsel, deems appropriate in the light of any action that may be taken by the Department of Justice or by a court. The assets or businesses, if any, which under some possible adverse interpretation of the decree General might be required to modify or divest could include some or substantially all of its food production and processing operations. In the first 40 weeks of fiscal 1968 sales of the food production and processing divisions were approximately 73% of the Company's sales, and at present the assets of the food production and processing divisions would constitute approximately 32% of the total assets. In addition, General may find it necessary or expedient to somewhat modify the product line carried in its convenience stores.

Other Aspects of the Exchange Offer

General Host reserves the right in its sole discretion, (a) to make offers subsequent to the expiration of the Exchange Offer for shares of Armour Common Stock on a cash or exchange-of-securities basis or a combination thereof, by merger, or otherwise, which offers could differ in terms from the Exchange Offer described herein; and (b) prior to the date the Registration Statement becomes effective, to enter into firm arrangements for the acquisition of Armour Common Stock by purchase in the open market at prevailing market prices or through negotiated purchases, or by concluding arrangements for the sale and delivery of securities, including the Debentures and Warrants (subject to necessary shareholder approval and approval of counsel as to certain legal matters), to the sellers of any such Armour Common Stock so acquired.

In the event that, as a result of the acquisition of shares of Armour, the Investment Company Act of 1940 should or might become applicable to General Host, General Host would take appropriate steps seeking to render that Act inapplicable or to obtain exemption from its provisions, or to comply with such Act.

The acquisition of a majority of the Common Stock of Armour will be accounted for as a purchase. Price Waterhouse & Co., the Company's independent accountants, have reviewed the foregoing accounting treatment and approved it as being in accordance with generally accepted accounting principles. See Note 1 to the Pro Forma Combined Balance Sheets included elsewhere herein.

The proceeds to General Host from any exercise of the Warrants will be used for general corporate purposes, which may include improvement or expansion of existing facilities, acquisition of new facilities or businesses, and retirement of debt.

Information Concerning Armour

See Annex A to this Prospectus for information concerning Armour and the financial statements of Armour. General Host has requested information from Armour for use in connection with the Exchange Offer. To date Armour has declined to supply such information although it has indicated that such information may be available at a future date. Consequently, except as otherwise indicated, all information relating to Armour, including but not limited to financial statements and statistical material, is based upon published information, including information filed with the Securities and Exchange Commission. Such Commission does not approve, disapprove or pass upon the accuracy of such information. Except as stated herein, the latest such information included was, as to audited financial statements, as of and for the year ended October 28, 1967 and, as to unaudited financial statements and non-financial data, that information available at December 28, 1968. Except as stated herein, any other information regarding Armour was either not available to General Host or available only at the cost of unreasonable effort and expense. Although the information concerning Armour has been taken from public records and other sources believed by General Host to be reliable, General Host cannot warrant the accuracy or completeness of the information concerning Armour contained herein or that events, unknown to General Host, have not occurred which would affect the significance or accuracy of such information. If Armour releases significant financial data differing in material effect from that presented herein before or during the course of the Exchange Offer General Host will amend or supplement this Prospectus.

EFFECT OF EXCHANGE ON ARMOUR STOCKHOLDERS WHO ACCEPT OFFER

Armour has been paying dividends on its Common Stock at an annual rate of \$1.60 per share during its last 17 fiscal quarters. There would be \$4.20 in annual interest payable on the \$60 principal amount of 7% Debentures proposed to be exchanged for each Armour share.

The per share book value of Armour (undiluted) at October 28, 1967 was \$38.75. Reflecting the following transactions in 1968 which have been publicly announced: exercise of options, sale of the Agricultural Chemical Division, purchase of its own shares, sale of a minority interest in Armour-Dial, earnings and dividends (see Annex A for published details) the Armour per share book value would be \$40.98 at November 2, 1968. Under the Exchange Offer, \$60 in principal amount of Debentures would be exchanged for each Armour share.

In addition, Armour stockholders would have the opportunity to participate in any possible future increases in the market value of General Host's stock through the 1½ Warrants to purchase General Host's stock at \$45 also to be exchanged for each Armour share.

PRO FORMA EFFECT OF EXCHANGE ON GENERAL HOST PER SHARE EARNINGS

General Host pro forma net income for the unaudited 52 weeks ended October 5, 1968, amounted to \$1.12 per share based on average shares outstanding of 4,179,748 (including the common share equivalent of the 5% convertible subordinate notes of 1,755,555 shares). There is no way to determine the extent to which Armour stock will be exchanged for the Debentures and Warrants offered. However, combining General Host operations for the 52 weeks ended October 5, 1968 and Armour operations for its fiscal year ended November 2, 1968, General Host's pro forma income before extraordinary items would range from a high of \$3.42 per share if Armour is 100% owned to a low of \$.28 per share if Armour is only 40% owned. After giving effect to extraordinary items, consisting primarily of Armour's \$13,215,000 non-recurring loss incurred in the disposition of its domestic Agricultural Chemical Division in 1968, General Host's pro forma net income (loss) would range from a high of \$.55 per share if Armour is 80% owned to a low of (\$.57) per share if Armour is 60% owned. See "Pro Forma Combined Statements of Income".

**PRO FORMA EFFECT OF EXCHANGE ON GENERAL HOST
PER SHARE BOOK VALUE**

	Book Value	
	Pro Forma(1)(3)	Assuming Full Dilution(2)
Assuming 16.5% ownership of Armour	\$20.02	\$20.39
Assuming 40% ownership of Armour	\$24.23	\$24.34
Assuming 60% ownership of Armour	\$27.57	\$27.47
Assuming 80% ownership of Armour	\$30.91	\$30.60
Assuming 100% ownership of Armour	\$34.26	\$33.74

- (1) Represents book value at October 5, 1968, adjusted to give retroactive effect to conversion of the 5% convertible subordinate notes and issuance of General's 7% subordinated debentures and warrants.
- (2) Represents book value at October 5, 1968, adjusted to give retroactive effect to the transactions referred to in (1) above and the exercise of the ten year warrant issued to Gulf & Western Industries, Inc. and outstanding employee stock options.
- (3) Included in the pro forma book value are unamortized bond discount and excess of cost of investment in Armour over equity in net assets of \$4.21 per share at 40%, \$29.23 at 60%, \$39.78 at 80% and \$50.34 at 100%.

PRICE RANGES OF COMMON STOCK

General Host Corporation

The following table sets forth the closing price ranges of General Common Stock on the New York Stock Exchange during each of the last three calendar years:

Year	High	Low
1966		
1st quarter	23 $\frac{3}{8}$	14 $\frac{3}{8}$
2nd quarter	21 $\frac{1}{2}$	16
3rd quarter	18 $\frac{5}{8}$	15 $\frac{1}{4}$
4th quarter	17 $\frac{1}{2}$	13 $\frac{5}{8}$
1967		
1st quarter	22 $\frac{3}{4}$	15 $\frac{3}{8}$
2nd quarter	35 $\frac{1}{2}$	22 $\frac{1}{8}$
3rd quarter	40 $\frac{7}{8}$	34
4th quarter	39 $\frac{1}{8}$	27 $\frac{1}{2}$
1968		
1st quarter	37 $\frac{7}{8}$	21 $\frac{7}{8}$
2nd quarter	33 $\frac{3}{4}$	22 $\frac{1}{8}$
3rd quarter	35 $\frac{1}{2}$	27 $\frac{5}{8}$
4th quarter through December 27	45	32 $\frac{5}{8}$

On December 27, 1968 the reported closing price per share of General Common Stock was 40 $\frac{3}{4}$.

Armour and Company

The following table sets forth the high and low selling prices for Armour Common Stock on the New York Stock Exchange during each of the last three calendar years:

Year	High	Low
1966:		
1st quarter	48	42 $\frac{3}{8}$
2nd quarter	47 $\frac{1}{4}$	35 $\frac{3}{4}$
3rd quarter	37 $\frac{7}{8}$	28 $\frac{1}{4}$
4th quarter	34	26 $\frac{3}{4}$
1967:		
1st quarter	39	31
2nd quarter	36 $\frac{3}{4}$	32
3rd quarter	40 $\frac{7}{8}$	35 $\frac{7}{8}$
4th quarter	37 $\frac{3}{4}$	32 $\frac{3}{8}$
1968:		
1st quarter	46 $\frac{3}{8}$	32 $\frac{1}{4}$
2nd quarter	52 $\frac{1}{4}$	34 $\frac{1}{8}$
3rd quarter	50	44
4th quarter through December 27	64 $\frac{3}{4}$	47 $\frac{5}{8}$

The reported closing price per share of Armour Common Stock on December 27, 1968, was 59 $\frac{1}{8}$.

CAPITALIZATION

	Historical General Host Corporation November 30, 1968	Pro Forma Assuming Armour is			
		40% Owned	60% Owned	80% Owned	100% Owned
General Host					
Long-Term Debt(1):					
Company:					
5¼% Notes	\$ 9,400,000	\$ 9,400,000	\$ 9,400,000	\$ 9,400,000	\$ 9,400,000
6% Cumulative Income Subordinated Debentures due 12/1/90	9,134,400	9,134,400	9,134,400	9,134,400	9,134,400
Notes Payable banks due 1968-1973 ..	4,750,000	4,750,000	4,750,000	4,750,000	4,750,000
5% Subordinate Convertible Notes due 6/15/88	47,400,000	47,400,000	47,400,000	47,400,000	47,400,000
Bank loans (3)	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
Other	980,402	980,402	980,402	980,402	980,402
7% Subordinated Debentures (2)	—	102,360,000	183,660,000	264,900,000	346,200,000
Subsidiary Notes Payable to banks due 1968-1969	340,000	340,000	340,000	340,000	340,000
Other Subsidiary Debt 3% to 6% ...	695,431	695,431	695,431	695,431	695,431
Armour					
Long-Term Debt:					
First Mortgage Sinking Fund Bonds ...	—	—	20,286,000	20,286,000	20,286,000
Notes Payable—Banks (4)	—	—	60,000,000	60,000,000	60,000,000
Equipment lease obligations	—	—	9,483,104	9,483,104	9,483,104
5% Cumulative Income Subordinated Debentures due 11/1/84	—	—	51,009,520	51,009,520	51,009,520
Total	\$ 86,700,233	\$ 189,060,233	\$ 411,138,857	\$ 492,378,857	\$ 573,678,857
Capital Stock:					
General Host Common Stock \$1 par value (5), (6) and (7)	\$ 2,550,872	\$ 2,550,872	\$ 2,550,872	\$ 2,550,872	\$ 2,550,872
General Host capital in excess of par value	14,298,998	32,366,000	46,715,000	61,054,000	75,403,000
Armour and Company \$4.75 Preferred Stock (\$100 par value)	—	—	52,635,200	52,635,200	52,635,200

- (1) Includes long-term debt due within one year.
- (2) 7% Subordinated debentures which are to be issued in exchange for Armour stock at the rate of \$60 principal amount plus 1½ warrants per Armour share. The debentures will be due January 31, 1994.
- (3) Amount taken down on a \$20,000,000 loan agreement entered into on November 1, 1968. Interest is 1% above the prime rate.
- (4) Armour borrowed funds under a 1966 revolving bank credit agreement. Interest is at the prime rate. On April 1, 1969 Armour may convert any portion of this debt into 5% term notes payable in eight equal semi-annual installments to April 1, 1973.
- (5) Excludes 63,000 shares in treasury at a cost of \$2,240,000.
- (6) A proposal to amend the certificate of incorporation by increasing the authorized number of shares of common stock of the company from 10,000,000 shares to 30,000,000 shares has been submitted to a special meeting of shareholders scheduled for January 20, 1969. The company also has 1,000,000 shares of Preferred Stock \$1 par value authorized, none of which are outstanding.
- (7) The number of warrants to purchase General Host Corporation common stock to be issued under the above assumptions and the proceeds to be received from the exercise thereof are as follows:

	40%	60%	80%	100%
Number of warrants	2,559,000	4,592,000	6,622,000	8,655,000
Proceeds	\$115,155,000	\$206,640,000	\$297,990,000	\$389,475,000

**GENERAL HOST CORPORATION
ARMOUR AND COMPANY**

**PRO FORMA COMBINED STATEMENTS OF INCOME
(unaudited)**

The following unaudited pro forma statement combines the operations of General for the 52 week period ended October 5, 1968, adjusted to give effect to certain transactions occurring subsequent to October 5, 1968 as set forth in Note 1 hereto, with those of Armour for the year ended November 2, 1968. The information relating to Armour has been obtained from the December 2, 1968 issue of the Wall Street Journal. See "Annex A" elsewhere herein. This statement assumes the issuance for each share of Armour's common stock acquired, of \$60 principal amount of General's 7% subordinated debentures due January 31, 1994 plus 1½ warrants expiring January 31, 1979 to purchase General common stock. See "Description of Debentures" and "Description of Warrants" elsewhere herein. Inasmuch as there can be no assurance of the extent to which the Armour shares will be exchanged for the General debentures and warrants, this statement gives effect to the assumptions that General acquires 40%, 60%, 80% and 100% of the outstanding common stock of Armour. This statement should be read in conjunction with the financial statements of the respective companies included elsewhere herein.

	Armour and Company (Historical)	General Host Corporation Pro Forma (Note 1)	Pro forma General Host Corporation assuming Armour is			
			49% owned	60% owned	80% owned	100% owned
			(Stated in thousands of dollars)			
Sales	\$2,096,400	\$ 202,039	\$ 202,039	\$2,298,439	\$2,298,439	\$2,298,439
Costs and expenses	2,048,770	198,861	203,520	2,260,938	2,266,787	2,272,640
Minority interest	—	—	—	11,875	7,187	2,500
Taxes on income	22,456	368	(280)	22,952	13,220	10,130
	<u>2,071,156</u>	<u>199,229</u>	<u>203,240</u>	<u>2,295,765</u>	<u>2,287,194</u>	<u>2,285,270</u>
Income (loss) before extraordinary items	25,244	2,790	(1,201)	2,674	11,245	13,169
Extraordinary items, net of related taxes and minority interest	(13,215)	517	517	(7,412)	(10,055)	(12,698)
Pro forma net income (loss)	12,029	3,307	(684)	(4,738)	1,190	471
Dividends on preferred shares	2,500	—	—	—	—	—
Pro forma income (loss) applicable to common stock	<u>\$ 9,529</u>	<u>\$ 3,307</u>	<u>\$ (684)</u>	<u>\$ (4,738)</u>	<u>\$ 1,190</u>	<u>\$ 471</u>
Income (loss) per share:						
Income (loss) before extraordi- nary items	\$ 3.15	\$ 1.00				
Extraordinary items	(1.83)	.12				
Net income (loss)	<u>\$ 1.32</u>	<u>\$ 1.12</u>				
Pro forma income (loss) per share:						
Income (loss) before extraor- dinary items			\$.28	\$ 1.20	\$ 2.96	\$ 3.42
Extraordinary items12	(1.77)	(2.41)	(3.04)
Pro forma net income (loss) ...			<u>\$.40</u>	<u>\$ (.57)</u>	<u>\$.55</u>	<u>\$.38</u>

The amounts included above for pro forma General Host Corporation assuming Armour is 60% owned, 80% owned and 100% owned do not include any amounts for amortization of the estimated excess of the purchase price over the net assets of Armour acquired of \$92,004,000, \$122,576,000 and \$153,208,000, respectively, because the Company does not have sufficient information at this time to make any allocation of such excess. When such allocation can be made, it is intended that the excess will be allocated among Armour's assets based on their present values. To the extent such allocation is made to depreciable or amortizable assets, increased depreciation and amortization could have a material effect on future earnings of General Host Corporation.

NOTE 1:

The General Host Corporation pro forma column represents the historical operations of the company for the 52 week period ended October 5, 1968, adjusted to give retroactive effect for the full year to:

- The issuance in October 1968 of \$47,400,000 of 5% convertible subordinate notes, due 1988, and the use of the proceeds to purchase 750,000 shares of Armour common stock.
- The \$14,000,000 bank loan in November 1968 and the use of the proceeds to purchase 252,500 shares of Armour common stock.

**GENERAL HOST CORPORATION
ARMOUR AND COMPANY**

NOTES TO PRO FORMA COMBINED STATEMENTS OF INCOME

NOTE 2:

The following pro forma adjustments are given effect to in the above pro forma combined statements of income:

	General Host Corporation (Pro Forma)	General Host Corporation assuming Armour is			
		40% owned	60% owned	80% owned	100% owned
		(Stated in thousands of dollars)			
Net income of General Host for unaudited 52 weeks ended October 5, 1968	\$3,628	\$ 3,628	\$ 3,628	\$ 3,628	\$ 3,628
Add:					
Dividend income (a)	1,604	4,334			
Net income of Armour (b)	—	—	12,722	12,722	12,722
	<u>5,232</u>	<u>7,962</u>	<u>16,350</u>	<u>16,350</u>	<u>16,350</u>
Deduct:					
Interest expense (c)	3,420	10,789	16,642	22,491	28,344
Minority interest in net income of Armour (d)	—	—	6,589	4,544	2,500
Income tax effect of above adjustments	<u>(1,495)</u>	<u>(2,143)</u>	<u>(2,143)</u>	<u>(11,875)</u>	<u>(14,965)</u>
	<u>1,925</u>	<u>8,646</u>	<u>21,088</u>	<u>15,160</u>	<u>15,879</u>
Pro forma net income (loss)	\$3,307	\$ (634)	\$(4,738)	\$ 1,190	\$ 471

- (a) Represents dividends on 1,002,500 and 2,709,000 shares, respectively, of Armour common stock at an assumed annual dividend rate of \$1.60 per share. Although the assumed rate of \$1.60 per share reflects Armour's actual dividend policy during its last seventeen fiscal quarters, the company has no control over Armour's dividend policy and there is no assurance that this policy will be continued.
- (b) Represents Armour's reported net income for the year ended November 2, 1968 in the amount of \$12,029,000, adjusted to give effect to the estimated annual interest savings, net of tax, of \$693,000 resulting from the assumed conversion of Armour's 4½% convertible subordinated debentures at the beginning of the period. See Note 4 to the pro forma combined statements of income.
- (c) Represents interest expense for a full year on the following:
- (1) The 5% convertible subordinate notes of General issued in October 1968 and the \$14,000,000 bank loan in November, the proceeds of which were used to acquire shares of Armour common stock.
 - (2) The 7% subordinated debentures of General which will be issued in exchange for Armour stock at the rate of \$60 principal amount plus 1½ warrants expiring January 31, 1979. Interest expense for the 7% debentures includes a full year's amortization of the estimated original issue discount on the 7% subordinated debentures computed by the "interest" method. The aggregate amount of the original issue discount is estimated to be \$61,104,000 on the 100% owned basis and the amortization thereof computed by the "interest method", will gradually increase from \$731,000 in the first year to \$5,728,000 in the twenty-fifth year.
- (d) Represents the minority share of Armour's net income plus the \$2,500,000 annual dividend on the 526,352 shares of Armour \$4.75 preferred stock outstanding.

NOTE 3:

No pro forma adjustment has been made to reflect amortization of the excess of the purchase price over the net assets of Armour acquired because the company does not have sufficient information to make any allocation of such excess.

NOTE 4:

In determining the number of shares of Armour which would have to be acquired to attain the various levels of ownership reflected in the pro forma combined balance sheets and statements of income, it was assumed that the Armour 4½% convertible subordinated debentures outstanding at October 28, 1967 were converted into common stock of Armour at that date and that the Armour stock options outstanding at October 28, 1967 were exercised at that date and the proceeds used to acquire Armour common stock for the treasury at the current market price.

If the debentures and stock options were assumed not to have been converted and exercised and, accordingly the related shares not tendered in the exchange offer, pro forma net income on the 100% owned basis would be increased by approximately \$485,000, representing the reduction in interest expense, net of related taxes, on the 7% subordinated debentures of General not issued.

NOTE 5:

The Armour and Company (Historical) earnings per share are based on the weighted average shares of Armour outstanding during the year ended November 2, 1968.

The pro forma earnings (loss) per share are based on the average number of shares of the company's common stock outstanding during the 52 weeks ended October 5, 1968, after giving retroactive effect to (1) the shares issued in exchange for the stock of Li'l General Stores, Inc. on July 19, 1968 and (2) the common share equivalent (1,755,553 shares) of the company's 5% convertible subordinate notes issued in October 1968.

A "residual security", as defined by the Accounting Principles Board of the American Institute of Certified Public Accountants, is one which clearly derives a major portion of its value from its conversion rights or its common stock characteristics. Under this definition, the company's 5% convertible subordinate notes were not residual securities at the time of their issuance. However, as defined by the Securities and Exchange Commission, a security is "residual" if, at the time of issuance, the terms are such as to result in immediate material dilution to pro forma earnings per share, assuming conversion, whether or not a majority of its value may be derived from its conversion rights. Under this definition, the company's 5% convertible subordinate notes are "residual" securities and, accordingly, their common share equivalent has been combined with the average shares outstanding in computing pro forma earnings (loss) per share.

**GENERAL HOST CORPORATION
ARMOUR AND COMPANY**

PRO FORMA COMBINED BALANCE SHEETS
(unaudited)

The following unaudited pro forma balance sheets combine the accounts of General at October 5, 1968, adjusted to give effect to certain transactions occurring subsequent to October 5, 1968 as set forth in Note 1 hereto, with those of Armour at October 28, 1967 as set forth in Armour's Consolidated Statement of Financial Position included elsewhere herein. This represents the latest date at which such information is available for Armour. See "Annex A" elsewhere herein. Inasmuch as there can be no assurance of the extent to which the Armour shares will be exchanged for General's debentures and warrants, this statement gives effect to the assumptions that General will acquire 40%, 60%, 80% and 100% of the outstanding common stock of Armour. This statement should be read in conjunction with the financial statements of the respective companies included elsewhere herein.

	Armour and Company October 28, 1967	General Host Corporation Pro Forma (Note 1)	Pro Forma General Host Corporation assuming Armour is			
			40% owned	60% owned	80% owned	100% owned
			(Stated in thousands of dollars)			
ASSETS						
Current assets	\$401,263	\$ 41,132	\$ 41,132	\$368,915	\$368,915	\$368,915
Investment in Armour and Company	—	60,347	162,707	—	—	—
Other investments	67,176	1,193	1,193	68,369	68,369	68,369
Property and plant	211,010	41,139	41,139	252,149	252,149	252,149
Deferred charges	12,528	1,455	1,455	13,983	13,983	13,983
Unamortized bond discount	—	—	17,863	32,050	46,227	60,414
Excess of cost of investment in Armour over equity in net assets	—	—	—	92,004	122,576	153,208
Total assets	<u>\$691,977</u>	<u>\$145,266</u>	<u>\$265,489</u>	<u>\$827,470</u>	<u>\$872,219</u>	<u>\$917,038</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities	\$121,799	\$ 14,974	\$ 14,974	\$135,994	\$135,994	\$135,994
Long term debt	168,354	90,967	90,967	226,675	226,675	226,675
7% Subordinated debentures	—	—	102,360	183,660	264,900	346,200
Reserves and deferred credits	55,795	1,770	1,770	57,565	57,565	57,565
Minority interest in subsidiary	—	—	—	101,336	50,668	—
	<u>345,948</u>	<u>107,711</u>	<u>210,071</u>	<u>705,230</u>	<u>735,802</u>	<u>766,434</u>
STOCKHOLDERS' EQUITY						
Preferred stock	52,635	—	—	52,635	52,635	52,635
Common stock	37,862	2,551	2,551	2,551	2,551	2,551
Capital in excess of par value	127,909	14,299	32,366	46,715	61,054	75,403
Retained earnings	<u>127,623</u>	<u>22,945</u>	<u>22,741</u>	<u>22,579</u>	<u>22,417</u>	<u>22,255</u>
	<u>346,029</u>	<u>39,795</u>	<u>57,658</u>	<u>124,480</u>	<u>138,657</u>	<u>152,844</u>
Less: cost of treasury stock	—	2,240	2,240	2,240	2,240	2,240
Total Stockholders' Equity ..	<u>346,029</u>	<u>37,555</u>	<u>55,418</u>	<u>122,240</u>	<u>136,417</u>	<u>150,604</u>
Total Liabilities and Stockholders' Equity	<u>\$691,977</u>	<u>\$145,266</u>	<u>\$265,489</u>	<u>\$827,470</u>	<u>\$872,219</u>	<u>\$917,038</u>

**GENERAL HOST CORPORATION
ARMOUR AND COMPANY**

NOTES TO PRO FORMA COMBINED BALANCE SHEETS

NOTE 1:

The General Host Corporation pro forma column represents the financial position of the company at October 5, 1968, adjusted to give retroactive effect to:

(a) The issuance by the company in October 1968 of \$47,400,000 of 5% convertible subordinate notes, due 1988, and the use of the proceeds to purchase 750,000 shares of Armour common stock.

(b) The company's \$14,000,000 bank loan in November 1968 and the use of the proceeds to purchase 252,500 shares of Armour common stock.

NOTE 2:

If after the proposed exchange General owns 50% or less of the outstanding common stock of Armour, the accounts of Armour will not be consolidated with those of General and the shares owned by General will be carried in its accounts as an investment, at cost. If after the proposed exchange General owns more than 50% of the outstanding common stock of Armour, the accounts of Armour will be consolidated with those of General. The acquisition of more than 50% of the common stock of Armour will be accounted for as a purchase. No allocation has been made of the excess of the purchase price over the net assets of Armour acquired because the Company does not have sufficient information to make such an allocation. Expenses relating to the acquisition by General of the Armour shares assumed to have been acquired have not been reflected in this pro forma balance sheet. Such expenses, when incurred, will be treated as an additional cost of General's investment in Armour and, accordingly, would increase the excess of purchase price over underlying net book value.

NOTE 3:

The following pro forma adjustments have been given effect to in the above statement:

(a) The sale in October 1968 of \$47,400,000 of General's 5% convertible subordinate notes, the bank borrowing of \$14,000,000 in November 1968 and the purchase of 1,002,500 shares of Armour common stock with the proceeds therefrom.

(b) The conversion of Armour's 4½% convertible subordinated debentures into 638,357 shares of Armour common stock and the exercise of Armour's employee stock options into 171,708 shares of Armour common at the beginning of the period.

(c) The repurchase of 1,500,000 shares of Armour common stock for \$75,000,000 in cash to give effect to the tender offer by Armour in August 1968. (See "Recent Armour Financial Information" elsewhere herein.)

(d) The issuance by General for each share of Armour common stock, of \$60 principal amount, 7% subordinated debentures and warrants to purchase 1½ shares of General common stock. The 7% debentures have been recorded at an assumed original issue discount of 17.65% and amortization for a full year recorded by use of the "interest" method. The warrants have been recorded at an assumed value equivalent to the original issue discount on the 7% debentures by increasing both the investment in the stock of Armour and capital in excess of par value.

GENERAL HOST CORPORATION
and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

The following consolidated statement of income, insofar as it relates to the five fiscal years ended December 30, 1967, has been examined by Price Waterhouse & Co., independent accountants, whose opinion thereon (which contains a qualification as to consistency in the application of accounting principles relating to the method of computing depreciation as explained in Note (b) hereto, and which is based in part on the opinions of other independent accountants) appears elsewhere herein. This statement includes the results of operations of Li'l General Stores, Inc. which was merged into General Host Corporation on July 19, 1968 and accounted for as a pooling of interests. In the opinion of the Company, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim periods, have been included. This statement should be read in conjunction with the other consolidated financial statements and notes thereto of General Host Corporation and subsidiary companies included elsewhere herein:

	Fiscal Years Ended proximate to December 31,					40 Weeks Ended	
	1963	1964	1965	1966	1967	October 7, 1967	October 5, 1968
						(unaudited)	
Sales	\$181,615,924	\$187,813,658	\$185,418,203	\$175,504,617	\$196,816,066	\$151,929,594	\$156,265,576
Less—Sales of facilities disposed of (c)	34,552,032	33,711,031	28,242,354	—	—	—	—
Net Sales	147,063,892	154,102,627	157,175,849	175,504,617	196,816,066	151,929,594	156,265,576
Dividends, interest and other income	197,581	272,740	211,381	269,307	187,338	154,276	612,013
	147,261,473	154,375,367	157,387,230	175,773,924	197,003,404	152,083,870	156,877,589
Cost of sales and service, exclusive of depreciation and amortization	88,966,273	96,123,066	103,343,899	116,904,628	131,160,136	100,974,990	102,828,174
Delivery, selling, advertising and administrative expenses	49,240,416	49,637,807	46,850,954	49,794,881	56,064,788	42,993,252	45,332,535
Depreciation and amortization (b)	3,790,876	4,064,756	4,209,067	4,168,495	4,013,685	3,213,692	3,204,003
Interest expense	794,671	789,982	817,655	1,287,636	1,398,871	1,082,535	1,282,995
	142,792,236	150,615,611	155,721,575	172,155,640	192,637,480	148,264,469	152,647,707
Operating loss of facilities disposed of (c)	145,000	1,712,000	2,030,000	—	—	—	—
	144,437,236	152,327,611	157,751,575	172,155,640	192,637,480	148,264,469	152,647,707
Income (loss) before federal income taxes and extraordinary items	2,824,237	2,047,756	(364,345)	3,618,284	4,365,924	3,819,401	4,229,882
Federal income taxes (Note 7) ..	1,402,000	699,000	(49,000)	1,596,000	1,652,000	1,622,129	1,565,056
Income (loss) before extraordinary items	1,422,237	1,348,756	(315,345)	2,022,284	2,713,924	2,197,272	2,664,826
Extraordinary items (Note 3) (d) ..	170,000	35,000	(2,099,574)	690,043	—	—	517,270
Net income (loss) (b, d and e) ..	\$ 1,592,237	\$ 1,383,756	\$ (2,414,919)	\$ 2,712,327	\$ 2,713,924	\$ 2,197,272	\$ 3,182,096
Per share of common stock (f):							
Income (loss) before extraordinary items	\$.39	\$.35	\$ (.38)	\$.90	\$1.18	\$.96	\$1.09
Extraordinary items (d)08	.02	(.95)	.31	—	—	.21
Net income (loss)	\$.47	\$.37	\$ (1.33)	\$1.21	\$1.18	\$.96	\$1.30
Pro forma net income (g) ..					\$.95	\$.76	\$.96

Numerical note references are to notes to the consolidated financial statements of the company included elsewhere herein.

(a) On July 19, 1968 the company issued 661,279 shares of its stock in exchange for all of the outstanding common stock of Li'l General Stores, Inc., on the basis of nine-tenths of a share of General Host common stock for each share of Li'l General stock. The transaction has been accounted for as a pooling of interests and, accordingly, the results of operations of the two companies have been combined for all periods prior to the merger in the above consolidated statement of income. The results of operations for the 40 week period ended October 5, 1968 include the operations of Li'l General Stores, Inc. for the 40 weeks ended October 5, 1968, and the results of operations for the fiscal year ended December 30, 1967 includes the operations of Li'l General Stores, Inc. for its fiscal year ended October 28, 1967. Accordingly, Li'l General's sales of \$7,793,738 and net income of \$165,287 for the two months ended December 31, 1967 have not been included in the statement of income. See Note 1 to the consolidated financial statements.

GENERAL HOST CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

Previously reported sales and net income have been restated as indicated below:

	1963	1964	1965	1966	1967	40 Weeks Ended	
						Oct. 7, 1967	Oct. 5, 1968
						(unaudited)	
Sales							
General Host Corporation	\$164,888,904	\$164,218,305	\$156,142,635	\$138,955,475	\$155,241,721	\$119,952,516	\$131,374,267
Li'l General Stores, Inc. . .	16,727,020	23,595,352	29,275,568	36,549,142	41,574,345	31,977,078	24,891,309*
	<u>\$181,615,924</u>	<u>\$187,813,658</u>	<u>\$185,418,203</u>	<u>\$175,504,617</u>	<u>\$196,816,066</u>	<u>\$151,929,594</u>	<u>\$156,265,576</u>
Net Income							
General Host Corporation	\$ 1,242,131	\$ 1,037,463	\$ (2,932,474)	\$ 1,451,723	\$ 1,996,601	\$ 1,642,934	\$ 2,590,446
Li'l General Stores, Inc. . .	350,106	346,293	517,555	1,260,604	717,323	554,318	591,650*
	<u>\$ 1,592,237</u>	<u>\$ 1,383,756</u>	<u>\$ (2,414,919)</u>	<u>\$ 2,712,327</u>	<u>\$ 2,713,924</u>	<u>\$ 2,197,272</u>	<u>\$ 3,182,096</u>

* Represents operations of Li'l General Stores, Inc. for period prior to merger.

(b) Effective January 1, 1967 the company, for financial reporting purposes, changed from an accelerated method to the straight-line method of computing depreciation while continuing to use accelerated methods for tax purposes. This change had the effect of decreasing depreciation expense for 1967 by approximately \$1,150,000 and, after provision for deferred federal income taxes, increasing net income by approximately \$600,000 or \$.26 per share.

(c) During 1965 the Company adopted a program for the discontinuation of unprofitable operations and the disposal of idle facilities. Sales and related costs and expenses of these operations, except for federal income taxes and interest expense, have been deducted from their respective categories and the net result shown as a separate item in the consolidated statement of income for the fiscal years 1963 through 1965. Operations subsequent to 1965 do not include any sales or operating results of such facilities.

(d) In accordance with Accounting Principles Board Opinion No. 9, transactions in the years 1963 to 1966 which previously were reported as special items after net income have been reflected in the above statement as extraordinary items and included in net income. The extraordinary items consist of the following:

	1963	1964	1965	1966	40 Weeks Ended Oct. 5, 1968
					(unaudited)
General Host Corporation:					
Provision for losses incurred and estimated future losses on discontinuation of certain activities and disposal of facilities, less related federal income tax reduction (1)				\$(2,144,574)	
Gain on sale of investment in Uncle John's Restaurants Inc., less related federal income tax of \$365,000 (Note 2)					\$ 818,270
Provision for estimated loss on disposal of facility, less related federal income tax reduction of \$239,000 (2)					(301,000)
Li'l General Stores, Inc.:					
Reduction in federal income taxes arising from utilization of operating loss carryforwards	\$ 170,000	\$ 35,000	45,000	\$ 25,000	
Proceeds from officers' life insurance, net of surrender value				665,043	
	<u>\$ 170,000</u>	<u>\$ 35,000</u>	<u>\$(2,099,574)</u>	<u>\$ 690,043</u>	<u>\$ 517,270</u>

(1) The net loss for 1965 has been restated to give effect to the adjustment in 1967 of the reserve for losses established in 1965. This retroactive adjustment reduced the amount of the extraordinary charge and net loss for 1965 by \$346,695 or \$.16 per share, representing the reversal of the \$624,695 remaining balance in the reserve, less related federal income tax reductions of \$278,000. See Note 3 to the consolidated financial statements.

(2) The sales and operating loss, before deducting federal income taxes and interest expense, of the facility disposed of were \$7,516,000 and \$312,000, respectively, for the 40 weeks ended October 5, 1968.

(e) As more fully explained in Note 1 to the consolidated financial statements, on October 5, 1966 the Company purchased all of the issued and outstanding stock of Yellowstone Park Company and Everglades Park Co., Inc. In December 1966, Yellowstone and Everglades changed their fiscal years from September 30 to an approximate calendar year basis to conform with the company's fiscal year. The operations of Yellowstone and Everglades have been included in the consolidated statement of income from the date of acquisition; however, in lieu of the previously followed practice of deferring preseason fixed costs incurred during the last quarter of the calendar year, the net loss from the date of acquisition to December 31, 1966 amounting to \$336,834 was charged against income for 1966 and offset by the inclusion in income of an equivalent amount of amortization of the excess of equity in net assets over cost.

GENERAL HOST CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

(f) Based on the average number of shares of General Host common stock outstanding during each period, after giving retroactive effect to the issuance of nine-tenths of a share of General Host common stock in exchange for each share of Li'l General common stock outstanding and after deducting the annual preferred dividend requirements of General Host for the fiscal years 1963 through 1965 of \$578,888, \$577,111 and \$520,892, respectively.

(g) The pro forma net income per share is based on the assumption that the Company's \$47,400,000 of 5% convertible subordinate notes, due June 15, 1988 and issued in October 1968 are "residual securities" and, accordingly, were converted into 1,755,555 shares of common stock at the beginning of the periods with the proceeds of the offering used to acquire common stock of Armour and Company. See Note 5 to the pro forma combined statements of income and Notes 2 and 5 to the Consolidated Financial Statements of General Host Corporation. There would be no change in the pro forma earnings per share if the ten-year warrant issued to Gulf & Western Industries, Inc. on August 6, 1968 and outstanding employee stock options were exercised at the beginning of the periods and the proceeds used to reduce outstanding debt.

Assuming recognition of the assignment of a value to the convertibility feature of the company's \$47,400,000 of 5% convertible subordinate notes as discount and assuming that the amount so assigned would aggregate approximately \$14,073,000, amortization thereof using the straight-line method over a period of 20 years would result in an annual amortization charge of approximately \$704,000 which, net of related federal income taxes, would be approximately \$14 per share, based on the average shares outstanding during the 40 weeks ended October 5, 1968. The Company does not intend to impute any discount to the notes by reason of the value of their convertibility feature unless it is required to do so, and, if so required, the amount ultimately imputed may be different from that stated above.

HISTORY AND BUSINESS OF GENERAL HOST

Recent History

Since the date of its incorporation General Host has been engaged in the manufacture and sale of a complete line of bakery products, including bread (its principal baking product), rolls, cakes, pies and sweet goods. In the Fall of 1965 the Company undertook a program of disposing of unprofitable baking plants and properties and since such time has sold 17 non-productive properties and unprofitable baking plants. Thus, while the Company's sales declined in 1966, the elimination of these loss operations helped to enable it to attain a profit. The program for disposal of unprofitable plants has been completed. Subsequently the Company has expanded into tourism, convenience food and food service operations and convenience store operations.

In 1965 The Goldfield Corporation ("Goldfield") purchased 806,200 shares of the Company's stock, approximately 51% of the total then outstanding. Goldfield sold 400,000 of these shares on May 11, 1967 in an underwritten public offering and acquired an additional 31,500 shares by the exchange of its 35,000 shares of Li'l General Stores, Inc. upon the merger of that corporation into the Company. It presently holds 437,700 shares, approximately 17% of the total now outstanding. Following Goldfield's purchase, in May 1965, Mr. Richard C. Pistell, Chairman of the Board of Goldfield, became Chairman of the Company's Board. Mr. Harris J. Ashton, President of the Company, is a Director of Goldfield.

During 1963 and 1964 Goldfield purchased land at five locations in Arizona, New Mexico and Colorado for use in developing tourist accommodations and recreational facilities under a program known as the "Frontier West Project". On August 8, 1966 Goldfield purchased all of the stock of Yellowstone Park Company for \$4,000,000 in cash. On June 1, 1966 Goldfield acquired all of the outstanding stock of Everglades Park Co., Inc. in exchange for 778,946 shares of its Capital Stock. On October 5, 1966 Goldfield sold all of the outstanding stock of Yellowstone Park Company and of Everglades Park Co., Inc. and the assets comprising the Frontier West Project to the Company in a single transaction. The sale price which was equal to the cost of the assets on Goldfield's books was \$6,353,662 in cash and the assumption by the Company of a mortgage debt of \$99,634. Goldfield acquired Yellowstone and Everglades in 1966 because the initial contacts and negotiations relative to these acquisitions had been conducted by Goldfield. Goldfield initially considered the acquisition of Yellowstone in 1964 while Goldfield owned a controlling interest in Frontier Airlines, Inc. During the period of its ownership of Frontier Airlines, Inc., Goldfield started the Frontier West program and con-

sidered other investments in the tourism field. It originally acquired these properties with the intention of developing them itself. It was not feasible at that time, however, for Goldfield to arrange the long term financing necessary to provide funds for the development of the potential of these properties in the foreseeable future. The Company, on the other hand, was in a better position to realize that potential.

In April, 1967, the Company changed its name from General Baking Company to General Host Corporation to reflect the diversification in its activities caused by its interests in the food-service and tourism industries.

In April, 1968, the Company issued and sold 200,000 shares of additional Common Stock in an underwritten public offering. The net proceeds to the Company from this offering were approximately \$4,144,000 after all expenses.

In July, 1968, Li'l General Stores, Inc., a Minnesota corporation, merged into General pursuant to an Agreement and Plan of Merger approved by the shareholders of both companies. The merger was accounted for as a pooling of interests. Li'l General Stores, Inc. owned and operated the properties which are now a part of the Company's Li'l General Stores Division. See "Convenience Store Operations".

In August, 1968, the Company in a single transaction acquired from Gulf & Western Industries, Inc. 150,000 shares of common stock of Armour at \$56 per share and an option to acquire a further 600,000 shares of Armour at \$60 per share. In connection with this transaction the Company also granted Gulf & Western Industries, Inc. a ten year Warrant to purchase 175,000 shares of Common Stock of the Company exercisable at \$30 per share. (Because of antidilution provisions in this Warrant which were activated by the sale of the 5% Convertible Subordinate Notes referred to below, this exercise price is now \$28.47 and the number of shares involved is 184,405.)

In August, 1968, the Company sold its 41% interest in Uncle John's Restaurants, Inc., a California-based chain of owned and franchised pancake houses and restaurants for \$4,589,375, which resulted in a gain, net of related federal income taxes, of \$818,270. This investment was made in 1966 and 1967.

In October, 1968, the Company, pursuant to shareholder approval, issued \$47,400,000 in principal amount of 5% Convertible Subordinate Notes due June 15, 1988, and used a portion of the proceeds to purchase the 600,000 shares of Armour stock from Gulf & Western Industries, Inc. in accordance with the terms of the Company's option from Gulf & Western Industries, Inc. In November and December, 1968, the Company acquired an additional 252,500 shares of Armour common stock in a series of market transactions. The average price per share paid for this stock was \$58.74. Also in November, 1968 the Company entered into a Loan Agreement providing for loans to the Company of up to \$20,000,000 by three banks for the purpose of financing purchases of Armour stock for cash. See "Investment in Armour" and Annex A.

Capital Expenditure Program

In 1967 the Company spent more than \$8,000,000 for expansion of capital facilities, including new ovens, machinery and equipment for baking plants, trucks and other vehicles, additional frozen storage capacity, new and renovated restaurants and coffee shops, renovation and improvement of tourist facilities at Yellowstone and Everglades and completion of the Frontier West tourist operation at Houck, Arizona.

The Company has continued its capital expenditures program during 1968, spending close to \$6,000,000 for substantially increasing the frozen convenience food facilities of Van de Kamp's, establishing additional Van de Kamp's coffee shops, continuing the automation and modernization programs for baking facilities of Van de Kamp's, Bond and Eddy, building new lodging units, dining facilities, camper service facilities and gift shops, modernizing landscaping and improving existing guest and tourist facilities of Yellowstone and Everglades, and building additional Li'l General convenience stores.

The Company proposes to continue its capital expenditures program during 1969 using funds to be derived from retained earnings and accumulated depreciation. There can, however, be no assurance that this program will continue on schedule because it depends in part on funds to be generated by operations

Food Production and Processing Operations

Three of the Company's divisions produce baked goods, Van de Kamp's in the Los Angeles and Seattle areas, Bond Baking Company in the East and parts of the Midwest, and Eddy Bakeries Company in the northern Mountain States region. Each of these divisions manufactures and sells a complete line of baked goods, including bread, rolls, cakes, pies, sweet goods, cookies, doughnuts and miscellaneous bakery products. In addition, the Van de Kamp's division processes and sells frozen food specialty items and operates coffee shops and restaurants. The major brand names for the Company's bakery products are "Van de Kamp's", "Bond" and "Eddy", each of which has good consumer acceptance in its respective marketing areas. The Company's Vernell's division manufactures and sells candy and crackers under the names "Vernell's" and "Hol-grain Wafer-ets" in the Los Angeles and Seattle areas and, through a brokerage system, throughout other parts of the country.

Van de Kamp's bakery products are sold primarily in the Los Angeles and Seattle areas, the Los Angeles market being considerably the larger. Its processed and frozen convenience food lines are distributed in a larger marketing area, including Southern California and parts of Arizona and Nevada. Van de Kamp's 14 coffee shops and restaurants are located in the Los Angeles area. Additional coffee shops are expected to be opened in 1969. The Bond marketing areas are in the Middle Atlantic States from Connecticut to Washington, D. C., North and South Carolina, and parts of Kansas and Oklahoma. The New York and Philadelphia metropolitan areas are the two largest markets for Bond products. Eddy's marketing area includes North Dakota, Montana, Eastern Washington, Idaho, Utah and Wyoming.

The Company's products are sold both at wholesale and at retail. Bond products are principally sold at wholesale, with a portion sold through house to house retail delivery routes. The Van de Kamp's division distributes its products primarily through approximately 797 retail outlets, which are installations within supermarkets rather than separate stores. Of these three divisions, the Bond Baking Company division is the largest in terms of sales, having accounted for 59.8% of their combined sales in 1967. Van de Kamp's accounted for 29.2% of the 1967 sales of these three divisions and the Eddy Bakeries Company division accounted for 11.0%. Each of these divisions was profitable in 1967, but their respective contributions to net income were not proportionate to sales. It is estimated that the Bond Baking Company Division proportionately contributed less to net income than it did to sales and that the other two divisions proportionately contributed more to net income than they did to sales.

During 1967 sales of bread and rolls accounted for approximately 55% of the total sales of the Company's food production and processing divisions, and sales of cakes, cookies, frozen convenience foods, restaurant sales and miscellaneous and specialty items constituted approximately 45%. There is no significant seasonal variation in the sales volume of these divisions.

The principal ingredients purchased are flour, sugar, yeast, milk and shortening. Of these, flour is the most important, and flour purchases constitute approximately 51% of the value of all ingredients purchased by these divisions. Flour prices are volatile. The Company obtains its supplies from a variety of sources depending upon prices offered by the suppliers.

These divisions employ approximately 8,800 people, of whom approximately 86% are represented by various unions. Collective bargaining agreements covering approximately 75% of unionized employees are negotiated on a regional basis jointly with other bakeries operating in the regional area. Wage increases and other employee benefits granted in collective bargaining have been comparable to those granted by other major companies in the bakery industry. Relations with labor unions are generally satisfactory.

The Company's food business is highly competitive. While the Company is one of the larger companies in the baking industry, in each marketing area it competes with many local bakeries in addition to other major companies. In addition, severe price competition is encountered from sales of "house brand" bakery products by major supermarket chains.

The food production and processing divisions operate 34 plants located in 12 states and the District of Columbia, most of which produce a complete line of bakery products, although a few specialized plants produce only cakes and sweet goods or doughnuts. All plants are maintained in good operating condition. The larger plants are equipped with modern automated ovens and machinery.

A new frozen convenience food production plant with warehousing facilities is under construction for the Van de Kamp's division.

Three plants are leased, and one that is owned is located on leased land. The Company owns the land and buildings comprising the other plants and, with minor exceptions, all of the machinery and equipment in its plants. The Company owns approximately 3,050 motor vehicles of all types and leases an additional 450.

Overall, the Company's food production and processing capacity is adequate for its present needs, and upon completion of new facilities and modernization and automation of existing facilities it is anticipated that capacity will be adequate for the Company's foreseeable needs. Utilization of plants varies from day to day in each location, and the productive capacity of each plant is variable depending on the mix of products baked each day. Overall, the Company's bakeries operated at an estimated 65%-70% of normal capacity during each of 1966 and 1967; although 1967 production was greater, capacity in 1967 was also greater. In addition to normal capacity, emergency capacity is available through the use of overtime and 7-day weeks. Bakery products generally have a very short shelf life. Since most products not sold on the day for which they were baked are returned to the Company, daily control of production to coincide with the following day's demand is of great importance in achieving adequate profit margins. Some of the cost of returned goods is recovered by selling these products as stale goods at reduced prices, and by using them to produce bread crumbs.

Major food production and processing operations are located at the following sites:

BOND

Bakeries

Albany, New York
Buffalo, New York
Enid, Oklahoma
Hartford, Connecticut
Hutchinson, Kansas
New York, New York(2)
Oklahoma City, Oklahoma
Philadelphia, Pennsylvania(3)
Rochester, New York
Spartanburg, South Carolina
Syracuse, New York
Washington, D. C.
Wichita, Kansas

VERNELL'S

Seattle, Washington

Candy Plant
Hol-Grain Plant

VAN DE KAMP'S

Southern California

Bakery
Retail Bakery Outlets(648)
Frozen Food Plant
Coffee Shops and Restaurants(14)

Seattle, Washington

Bakery
Retail Bakery Outlets(149)

EDDY

Bakeries

Billings, Montana
Bismarck, North Dakota
Boise, Idaho(2)
Butte, Montana
Grand Forks, North Dakota
Great Falls, Montana
Havre, Montana
Helena, Montana
Missoula, Montana
Ogden, Utah
Pocatello, Idaho
Yakima, Washington

Convenience Store Operations

The Company's Li'l General Stores Division operates convenience stores, most of which are located in the Southern and Southeastern United States. On December 13, 1968, the Li'l General Division

had in operation a total of 380 convenience stores, including 23 stores operated by franchisees, located in the following States:

<u>State</u>	<u>Number of Convenience Stores</u>
Florida	236
North Carolina	70
Louis' na	32
Minnesota	15
Alabama	12
Pennsylvania	9
Mississippi	6

The Li'l General convenience stores are small, self-service markets primarily handling rapid turnover items needed by housewives between major trips to supermarkets. Principal sales include cold beverages, dairy products and bread. In addition to foods, the stores sell drug and household items, and rent household equipment, such as floor polishers. The Li'l General stores are located in geographically separate areas, each served by a division office. Individual stores are located conveniently to dense residential areas and on routes of homeward-bound traffic. The stores are open 365 days a year from at least 7:00 A.M. until 11:00 P.M. Some stores are open for longer hours. Convenience store prices are higher than those of supermarkets.

A high degree of control is retained by the Company over the operations of the 23 franchised Li'l General Stores, all of which are located in Minnesota, Pennsylvania and North Carolina. Results from franchising operations have been favorable.

The Li'l General Division does no warehousing, but buys from wholesalers in its areas of operation. Accounting, purchasing, merchandising and advertising are under central control and are accomplished at the Li'l General Division headquarters in Tampa, Florida.

The Li'l General Division also operates 24 drive-in dairy stores in Florida and, through subsidiaries, is engaged in wholesale produce distribution on the west coast of Florida.

The Li'l General Division and the Company's subsidiaries operated as part of the Li'l General Division employ approximately 1,300 persons.

The convenience store industry includes several chains larger than the Li'l General Division. These and smaller chains are highly competitive with Li'l General. In addition, major supermarkets and small food stores compete with the business of Li'l General. In the areas of its principal operations, the Li'l General Division is one of the chief operators of convenience stores.

The Company owns trademarks for the name "Li'l General" and its Li'l General design; "Lady Anne", in conjunction with certain of Li'l General bread products; "Golden Krust", for use in conjunction with certain other Li'l General bread products; and "Farm-N-Town", for use in promotion of Li'l General dairy stores.

It has been the policy to lease Li'l General stores. While the Company owns Li'l General's building and attached store, other real estate is purchased only to facilitate the acquisition of locations on which to build stores which will ultimately be sold to others and leased back by the Company. Leases are generally for fifteen years, and most contain renewal options for five or ten years. Most leases are for fixed rentals, but, in some leases, the fixed rental is increased if gross sales in the particular store exceed a pre-established amount. Total lease payments for the year ending October 28, 1967, aggregated \$1,815,560.

In the aggregate, the buildings, fixtures, equipment and inventory of Li'l General, either owned or leased, are considered in good condition.

Tourism Operations

Yellowstone Park Company ("Yellowstone") operates hotels, inns, lodges, restaurants and other facilities in Yellowstone National Park, Wyoming, the oldest and largest of America's national parks. Its activities within the Park also include the providing of limousine and bus transportation, operation of gift shops, riding stables, fishing and boating facilities and gasoline service stations under a joint venture agreement under which it receives 55% of the profits. Yellowstone's facilities include overnight accommodations of various types for a maximum of 8,777 people and restaurants with a total seating capacity of 2,867 persons. Yellowstone's business is highly seasonal since most persons visit the Park during the period from June through September. In 1967, 94.2% of Yellowstone's revenue was generated during that four-month period. The occupancy rate for overnight accommodations from mid-June through Labor Day was approximately 80%. Employees total 2,500 during the summer months but are reduced to fewer than 100 during the winter. Competition in Yellowstone's immediate operating area is limited since it has a preferential right to provide accommodations and services within the Park area. Another concessioner has food service operations in certain locations in the Park and competition is provided from hotels, inns, and lodges located in the vicinity of the Park. Gross sales and operating revenues for the fiscal year ending December 30, 1967 were \$6,387,000, and for the forty weeks ending October 5, 1968, amounted to \$5,693,000.

Everglades Park Co., Inc. ("Everglades") operates facilities in Everglades National Park in Florida, America's third largest national park. Its operations include overnight accommodations, food and beverage facilities, boat and boating equipment sales and rentals, a gasoline service station, trailer park facilities, and the sale of general merchandise including sports equipment, photographic supplies, drugs, books and similar items. Everglades' overnight accommodations in the Park have a maximum capacity of 600 persons and its restaurant facilities have a maximum seating capacity for 265 persons. While Everglades operates throughout the year, its peak season is normally during the four-month period from late December through mid-April, which accounted for over 50% of gross revenues in fiscal 1967. The occupancy rate for overnight accommodations during that peak season was over 90%. Everglades is the only concessioner operating within the Everglades National Park; however, competition exists from the many resort areas of southern Florida. Gross sales and operating revenues for the year ending December 30, 1967 were \$1,198,000, and for the forty weeks ending October 5, 1968 amounted to \$1,187,000.

Yellowstone and Everglades both operate through concession contracts with the United States Department of the Interior, National Park Service, under which all rates and prices charged to the public are subject to Government regulation and approval. Yellowstone operates under a thirty year contract which expires September 30, 1996 and requires Yellowstone to have expended no less than \$10,000,000 by June 1975 in construction and renovation of facilities, of which \$3,400,000 has already been expended. If such expenditures are not made, the contract may be terminated on September 30, 1975. Similar expenditures are required during the second ten year period of the contract. Yellowstone must pay a franchise fee to the government equal to 1½% of its gross receipts under this contract. Everglades' contract expires on December 31, 1975 and obligates it to pay the government a fixed fee of \$3,700 per year for use of government-owned structures plus a franchise fee of 1½% of gross revenues.

The Company's Frontier West Division consists of land owned at five locations in Arizona, New Mexico and Colorado, acquired for development as a tourism project. Construction is substantially completed at one site on U. S. Highway 66 near Houck, Arizona. Completed facilities at this location include a replica of a frontier fortress, a gasoline station, a restaurant and an Indian trading post and general store. A trailer park is planned for completion during the 1969 season. Similar types of facilities are contemplated for three other locations. Frontier West also operates the Summit House Restaurant at Sandia Peak, New Mexico.

Pending Acquisition

Through its tourism operations at Yellowstone, the Company is involved in one of the most popular and widely known American tourist attractions. The Company proposes to acquire tourism

operations at another American landmark, the Grand Canyon, pursuant to its plans of creating an integrated system of tourism operations throughout the Southwestern and Mountain States. It has undertaken the acquisition of all the outstanding stock of Utah Parks Company ("Utah Parks"), which, in addition to facilities at Grand Canyon (North Rim), maintains operations at Zion and Bryce Canyons.

Utah Parks operates hotels, inns, lodges, restaurants and other facilities in three national parks and one national monument in the region of the Arizona/Utah border: Zion National Park, Bryce Canyon National Park, Grand Canyon National Park (North Rim) and Cedar Breaks National Monument. Its activities within and without the parks also include the providing of bus transportation, operation of gift shops, riding stables and gasoline service stations. Utah Parks facilities include overnight accommodations of various types for a maximum of 1,514 people and restaurants with a total seating capacity of 1,039 people. Like Yellowstone, the business of Utah Parks is highly seasonal since most persons visit the parks during the period of June through September. In 1967 almost all of Utah Parks' revenues were generated during that four-month period. Employees totaled about 650 during the summer months of 1967, and are approximately 40 during the winter. Although Utah Parks has preferential rights to operate within the three Parks and the Monument, competition is provided from hotels, inns, lodges, and restaurants located in the vicinity of the parks. Utah Parks' operations in the fiscal year ending December 31, 1967, based on unaudited figures, showed a net loss on operations of approximately \$9,000 on sales and operating revenues of about \$1,744,000. See Note 1 to Consolidated Financial Statements. For the 10 months ended October 31, 1968 operations resulted in a net profit of \$22,835 on operating revenues of \$1,771,732.

Utah Parks is and has for many years been 100% owned by the Union Pacific Railroad Company ("Union Pacific") or one of its wholly owned subsidiaries. Under an agreement dated as of December 31, 1967, which may be terminated by either party after December 31, 1968, by which the Company agreed to issue shares of its common stock to Union Pacific in exchange for all of the outstanding shares of Utah Parks, the exchange will be consummated only after a new concession contract satisfactory in form and substance to the Company has been entered into by Utah Parks and the U. S. Department of the Interior National Park Service. Such a concession contract has been negotiated on behalf of Utah Parks by the Company for a term of 15 years and is generally similar to those in effect with Yellowstone and Everglades. Because the contract with Union Pacific is subject to cancellation after December 31, 1968 and because the Park Service will not conclude its contract with Utah Parks before that date, this transaction may never be consummated. Assuming that recent market prices for General's common stock continue to prevail and assuming a purchase price of \$1,700,000 for Utah Parks, some 37,500 shares of General's common stock would be issued.

Investment in Armour

On December 20, 1968 the Company owned a total of 1,002,500 shares of Common Stock of Armour, approximately 16.5% of Armour's outstanding common stock for which it paid an aggregate of \$59,232,000 in cash plus a 10-year warrant for 175,000 shares of the Company's Common Stock which is now exercisable for 184,405 shares at \$28.47 per share. See "Recent History". Armour has described itself in a Registration Statement filed with the Securities and Exchange Commission which became effective on May 3, 1968, as "the second largest meat packer in the United States and among the leaders in the field of household soaps, fatty chemicals, hydraulic turbines, governors and valves, ship propellers, electronic force measurement equipment and desalination systems." For a description of Armour see Annex A.

Principal Shareholders

On December 16, 1968 the only voting securities of the Company owned of record or beneficially by any person who owned of record, or was known by the Company to own beneficially, more than 10% of any class of such securities, were 437,700 shares of Common Stock of the Company held both

of record and beneficially by The Goldfield Corporation, 720 Fifth Avenue, New York, New York, which was 17% of the total number of shares of Common Stock outstanding.

On December 16, 1968 all officers and directors of the Company as a group beneficially owned, directly or indirectly, 13,640 shares of Common Stock of the Company, .53% of the total number of shares of the Company's Common Stock outstanding, and \$1,500,00 principal amount of the Company's 5% Convertible Subordinate Notes.

Five of the Company's ten directors are directors of Goldfield and a sixth is an officer of Goldfield. Mr. Pistell is Chairman of the Board of the Company and Chairman of the Board and President of Goldfield. By virtue of this representation on the Company's board and Goldfield's ownership of the Company's stock, Goldfield may be deemed a parent of the Company. The Company's directors as a group, and Mr. Pistell, by virtue of his positions as Chairman of the Board and Chief Executive Officer of both the Company and Goldfield, may also be considered parents of the Company.

Comparative Operational Results

In 1967 the Company's tourism operations and convenience store operations contributed proportionately somewhat more to profits than to sales, while food production and processing operations contributed proportionately somewhat less to profits than to sales.

Pending Litigation

On May 21, 1965, a suit was filed in the United States District Court for the Southern District of New York, entitled *Anthony Ferraioli, Plaintiff, v. Hyman B. Cantor, HY C Corp., Denison Mines Ltd., Goldfield Corp. and General Baking Company, Defendants*. Plaintiff seeks to bring this action on behalf of himself and all other persons similarly situated alleging that the sale of General Host Corporation stock by Denison Mines Limited involved a violation of Section 10 of the Securities Exchange Act of 1934 and Rule 10b-5 of the Rules and Regulations thereunder in that plaintiff and others sold the Company's stock at prices of approximately \$9.00 per share without knowledge that Denison Mines Limited was negotiating to sell its shares at a price of \$12.50 per share. Plaintiff seeks to recover from the defendants other than the Company in excess of \$2,000,000 representing the difference between the alleged market price and the amount paid by Goldfield to Denison Mines Limited. The suit is in the pre-trial motion and discovery stage.

Also on May 21, 1965 an action was instituted in the Supreme Court of the State of New York, New York County, entitled *Vincent Ferraioli, Plaintiff, v. Hyman B. Cantor, HY C Corp., Denison Mines Ltd., Goldfield and General Baking Company, Defendants*. This plaintiff seeks the same recovery as in the above mentioned suit in the United States District Court, with the distinction, however, that he asserts one cause of action on behalf of and for the benefit of the Company. In this suit, plaintiff has been unable to sustain jurisdiction over Denison Mines Limited and the case has been dormant for over a year and a half.

Both of these actions have been dismissed as against defendants Hyman B. Cantor and HY C Corp. without contest by the plaintiffs. A compromise of the above two actions involving the remaining defendants is presently being arranged subject to approval of the courts. It is expected that the obligations of the Company under the terms of the compromise arrangement will be nominal.

On or about October 13, 1966 an action was commenced in the Supreme Court of the State of New York, County of New York, entitled, *Vincent Ferraioli, Plaintiff, against Richard C. Pistell, P. Richard Clark, C. Whitcomb Alden, Jr., Harris J. Ashton, Joseph P. Binns, John P. Dahl, William P. Howe, Jr., J. Elroy McCaw, Edwin C. McDonald, Leslie W. Scott, The Goldfield Corporation and General Baking Company, Defendants*. Plaintiff seeks to bring this action as a derivative action as a stockholder of the Company. The action seeks to set aside the sale by Goldfield to the Company of all of the outstanding capital stock of Yellowstone Park Company, and Everglades Park Co., Inc., and the Frontier West locations, and to have the purchase price received by Goldfield returned to the Company.

Plaintiff also seeks an accounting for alleged damages suffered by the Company and for alleged profits made by the defendants other than the Company as a result of such purchase. In the opinion of Messrs. Rogers, Hoge & Hills, New York, N. Y., special counsel to the Company, this litigation should have no material adverse financial effect upon the Company.

On March 13, 1968 actions were filed by the United States in the United States District Court for the Eastern District of Pennsylvania charging the Company and two of its employees, together with other baking companies and individuals, with civil and criminal violations of the Sherman Antitrust Act by having allegedly set bread prices in the Philadelphia market. The Company and its employees have asked leave of the court to enter pleas of *nolo contendere* which, if accepted, could result in fines being imposed and the Company being ordered to cease the activities complained of. It is possible that private plaintiffs may bring actions against the Company for treble damages allegedly incurred by reason of the charged violations. One such private law suit, a class action, was commenced on April 3, 1968 in the United States District Court for the Eastern District of Pennsylvania by the City of Philadelphia in the School District of Philadelphia. No specific dollar amount in damages is asserted in that action. After consultation with counsel, management believes that the probable outcome of this litigation will not have a materially adverse financial effect upon the Company.

Description of Common Stock

The Company's common stock, \$1.00 par value per share, is its only outstanding class of stock. The holders of common stock are entitled to share in the profits, if any, of the Company by way of dividends when, as and if declared by the Board of Directors. Upon liquidation the holders of the common stock will be entitled to receive pro rata according to the number of shares owned the net assets of the Company available for distribution to the shareholders. All of the presently outstanding common stock is fully paid and non-assessable. The holders of the Company's common stock have no pre-emptive, subscription or conversion rights. The Company also has authorized 1,000,000 shares of Preferred Stock, \$1.00 par value per share, issuable in series with terms, dividend rates and liquidating preferences to be set by the Directors. No such Preferred Stock is outstanding.

Non-Cumulative Voting

The holders of the common stock have full voting power for all purposes and are entitled to one vote per share. They do not have cumulative voting rights in the election of directors, which means that the holders of more than 50% of the common stock may, if they choose to do so, elect all of the directors and the holders of the remaining shares could not, in that event, elect any directors.

Dividends

The payment of dividends will depend upon earnings and capital requirements of General, general business conditions and other factors; there are no present plans to pay cash dividends. The payment of dividends on the common stock is restricted by the provisions contained in the Company's Loan Agreement relating to its 5¼% Notes payable to insurance companies, the Indenture relating to its 6% Cumulative Income Subordinated Debentures, and its twenty million dollar Loan Agreement with three banks. As of October 5, 1968, approximately \$3,503,000 of retained earnings was available for dividends. See Note 5 to the Company's consolidated financial statements elsewhere herein.

Markets

The Company's common stock is listed for trading upon the New York and Pacific Coast stock exchanges.

Transfer Agents and Registrars

The Transfer Agents for the Company's common stock are Marine Midland Grace Trust Company of New York, New York, N. Y., and Union Bank, Los Angeles, California, and the Registrars therefor are the Bankers Trust Company, New York, N. Y. and United California Bank, Los Angeles, California.

Management

The directors and executive officers of General are:

<u>Name</u>	<u>Office</u>
Richard C. Pistell	Chairman of the Board of Directors and Chairman of the Executive Committee
Harris J. Ashton	Director, President and member of the Executive Committee
C. Whitcomb Alden, Jr.	Director—Financial consultant and private investor, Asheville, North Carolina
Joseph P. Binns	Director—Associated with Loeb, Rhoades & Co., New York, N. Y.
William F. Downey	Director, Secretary and member of the Executive Committee
Weston E. Hamilton	Director—Senior Vice President Zion's First National Bank, Salt Lake City, Utah
William P. Howe, Jr.	Director—President, Howe Nurseries, Inc., Pennington, New Jersey
J. Elroy McCaw	Director—President, Metropolitan Radio Corporation, President KTVW, Inc., Seattle, Wash.
Edwin C. McDonald	Director—Chairman of the Board, Royal Bank of Canada Trust Company, New York, N. Y.
Leslie W. Scott	Director—President, Fred Harvey, Chicago, Ill.
M. Frank Cummings	Vice President—Operations
John M. Kingsley, Jr.	Vice President—Finance and Treasurer
Delbert O. Fuller, Jr.	Vice President—Marketing
Timothy T. Day	Vice President—Acquisitions
John P. Glynn	Controller

Mr. Pistell has been Chairman of the Board of General since May, 1965. He is Chairman of the Board and President of Goldfield and, in addition, acts as a financial consultant to other companies. He was Chairman of the Board of Pistell, Inc., an investment banking concern, and its predecessor companies from 1959 to 1963.

Mr. Ashton has been President of General since December 6, 1967, and a Director since May 1965. He is a member of the law firm of Lovejoy, Wasson, Lundgren & Ashton of New York City, counsel for the Company, with which he has been associated since 1962, but does not participate in fees paid to Lovejoy, Wasson, Lundgren & Ashton by General.

Mr. Cummings has been Vice President of General since January, 1966, and became Vice President—Operations in September, 1968. Previously he was with General Foods Corporation for thirty-one years, in various capacities, most recently as Assistant Corporate Controller.

Mr. Kingsley has been Vice President and Treasurer of General since January, 1966, and became Vice President—Finance in September, 1968. He was with Price Waterhouse & Co. from December, 1957 to May, 1962, and thereafter Dillon, Read & Co. Inc.

Mr. Fuller has been Vice President—Marketing since July, 1966. During 1962 and 1963 he was with the Curtis Publishing Company. From November, 1963, to September, 1964, he was with C. J. LaRoche & Co., and thereafter he was Vice President of Dancer-Fitzgerald-Sample, Inc.

Mr. Downey has been a Director of General since February, 1968, and Secretary of General since December, 1967. He is also Secretary of Goldfield. He is a partner in the law firm of Lovejoy, Wasson, Lundgren & Ashton, with which he has been associated since January, 1964. Previously, from September, 1959, he was with Morgan Guaranty Trust Company of New York.

Mr. Day has been Vice President—Acquisitions since July 1, 1968. Prior to that date he was Controller for the eastern region of the sales and service division of Trans World Airlines, Inc. where he had been employed since graduating from the Harvard Business School in June, 1964.

Mr. Glynn joined General on September 24, 1968. He was associated with the accounting firm of Price Waterhouse & Co. for more than five years prior to such date.

Messrs. Pistell, Ashton, Alden, Howe, and McCaw are also Directors of Goldfield.

Remuneration

The following information is furnished as to all direct remuneration paid (or to be paid) by the Company and its subsidiaries during the fiscal year 1968 to each director of the Company whose aggregate direct remuneration exceeded \$30,000, to each of the three highest paid officers whose aggregate direct remuneration exceeded that amount, and to all directors and officers as a group, for services in all capacities; and the total annual benefits proposed to be paid upon retirement under the Retirement Annuity Plan to such directors and officers.

<u>Name of individual or number of persons in group</u>	<u>Capacities in which remuneration was received</u>	<u>Aggregate direct remuneration</u>	<u>Estimated Annual benefits upon retirement</u>
Richard C. Pistell	Chairman of the Board, Director and Chairman of the Executive Committee	\$ 75,000	\$ 49,838
Harris J. Ashton	President, Director and member of the Executive Committee	\$ 80,000	\$ 57,083
M. Frank Cummings	Vice President and Controller; and Vice President—Operations	\$ 36,635	\$ 9,161
18 Directors and Officers as a group including those named above	As Directors and Officers	\$364,192	\$153,444

The estimated annual retirement benefits shown in the table are payable beginning at normal retirement date and are based upon the assumptions that the prospective recipients will remain in the employ of the Company until age 65, that their future compensation will be the same as that currently paid, and that they will continue to contribute approximately 3% of their first \$6,600 of annual compensation and approximately 5% of annual compensation in excess of \$6,600. Directors, as such, do not participate in the Plan.

Commencing January 1, 1969, Messrs. Pistell and Ashton will each receive salaries at an annual rate of \$100,000.

The Company has divisional incentive plans in effect at four of its divisions, providing for payments of annual bonuses to key employees, including managers and superintendents of the various plants. Bonuses are calculated either on a percentage of the annual operating profits before taxes of the respective units or on the increase in such operating profits over the prior year. The amounts so payable for 1968 have not yet been determined, but none will be payable to any officer or director. In 1967 incentive plans were in effect at two divisions under which bonuses of \$217,135 were paid, none of which was paid to any officer or director.

The law firm of Lovejoy, Wasson, Lundgren & Ashton, of which Messrs. Harris J. Ashton, President, a member of the Executive Committee, a director, a stockholder and a holder of 5% Convertible

Subordinate Notes of the Company, and William F. Downey, Secretary, a member of the Executive Committee, a director and a stockholder of the Company, are partners, received \$115,070 for services as General Counsel for the Company for the year 1967. Mr. Ashton became President of the Company on December 6, 1967 and thereafter has devoted substantially all of his time to that position. He received no direct remuneration from the Company for his services as President during 1967, but during 1968 he was compensated directly by the Company and did not share in fees charged to the Company by Lovejoy, Wasson, Lundgren & Ashton. Legal fees paid to Lovejoy, Wasson, Lundgren & Ashton for the first nine months of 1968 were \$15,558.

Stock Options

The Company has in effect a key employee stock option plan called the 1964 Stock Option Plan (the "Plan") under which options have been and may hereafter be granted that are qualified stock options as defined in Section 422 of the Internal Revenue Code, as amended. The Plan was amended in 1966 and further amendments were adopted by the Board of Directors in November, 1968, but not as yet submitted for the necessary shareholder approval. A total of 400,000 shares of Common Stock have been reserved from time to time for issuance upon exercise of options granted or to be granted under the Plan. Option exercise prices may not be less than the fair market value of the shares at the time the option is granted. No individual may purchase more than 80,000 shares pursuant to options granted under the Plan. Options are valid for a period of five years from the date of grant and are not transferable except upon death by will or the laws of descent. An optionee may not exercise an option unless he has been in the employ of the Company or a subsidiary for at least one year. If the shares acquired upon exercise of a qualified stock option are held for at least three years after exercise, the optionee will have realized no taxable income upon exercise of his option, and upon the sale of such shares he will realize a long-term capital gain.

At December 16, 1968, 155,900 shares of Common Stock were subject to options granted to employees. The range of exercise prices was from \$8.1875 to \$40.0625 per share, and these options expire at various dates from July 23, 1970 to December 4, 1973.

As of December 16, 1968 officers and directors held stock options as follows:

Name	Number of Shares	Option Price	Expiration Date
Richard C. Pistell	20,000	\$ 8.1875	7/23/70
	20,000	17.9375	8/19/71
Harris J. Ashton	30,000	31.75	2/14/73
	10,000*	40.0625	12/ 4/73
M. Frank Cummings	3,000	19.625	4/14/71
	3,500	32.875	10/10/73
All Officers and Directors as a group (including those listed above)	97,000	8.1875- 40.0625	7/23/70- 12/ 4/73

* This option may not be exercised until the recent amendments to the Plan have been approved by shareholders.

As of December 16, 1968 the 155,900 shares subject to outstanding stock options represented 6.1% of the Company's outstanding shares. Of the total shares under option officers and directors held options for 97,000 shares representing 3.8% of the shares outstanding.

DESCRIPTION OF WARRANTS

The statements under this caption relating to the Warrants, a specimen of which will be on file with the Securities and Exchange Commission, are summaries and do not purport to be complete. The terms of the Warrants are incorporated herein by reference and the summaries are qualified in their entirety thereby.

The Warrants will be issuable in registered form to purchase the number of shares of General Common Stock set forth thereon at an exercise price of \$45 per share. The exercise price of the Warrants may be reduced from time to time at the discretion of General's board of directors for limited periods (of not less than twenty-one days) by an amount not in excess of 33 1/3% of the exercise price then in effect as an inducement for exercise of the Warrants when deemed appropriate for the Company to obtain the cash proceeds resulting therefrom.

The exercise price and the number of shares of Common Stock issuable upon exercise of the Warrants will be subject to adjustment in case of a split, reverse split or other reclassification of the Common Stock; or if rights or warrants are issued to all holders of Common Stock entitling them to purchase shares of Common Stock at a price per share less than the then current market price; or if any other securities including General Common Stock issued as a dividend or assets (other than cash payable out of consolidated earnings or earned surplus) are distributed to all holders of Common Stock. No adjustment in the exercise price is required if General otherwise issues, in exchange for cash, property or services, shares of Common Stock or any security carrying rights to acquire Common Stock. No adjustment in the exercise price is required unless such adjustment will necessitate an increase or decrease of at least \$1.00, but any adjustments not made by reason of this provision will be carried forward and taken into account at the time of any subsequent adjustment. Upon exercise, no adjustment for dividends will be made.

If General consolidates with or merges into or sells its assets to another corporation, and General is not the continuing corporation in such consolidation, merger or sale of assets, a holder of a Warrant will be entitled to receive, upon the exercise thereof, the securities or property to which a holder of a number of shares of Common Stock then deliverable upon the exercise of such Warrant would have been entitled to receive upon such consolidation or merger.

Fractional shares of Common Stock will not be issued upon exercise of Warrants, but General will, in lieu thereof, either make a payment in cash based on the exercise price of the Common Stock purchasable upon the exercise of the Warrants, or issue scrip certificates (of such duration as determined by the Board of Directors) evidencing such fractional interest, which certificates may be combined and exchanged for shares of Common Stock of General.

Warrants will be exercisable upon presentation and surrender thereof together with the Subscription Form thereon duly executed at any time on or before January 31, 1979, at the corporate trust office of Franklin National Bank or Union Bank (the "Agents"), and upon payment of the exercise price. Warrants may be divided and the transfer thereof may be registered at the corporate trust office of the Agents. The right to subscribe to all or less than all of the shares covered by any Warrant may be transferred. Until a Warrant is exercised, the holder will not be entitled to any of the rights of a shareholder of General.

General intends to apply for listing of the Warrants on the American Stock Exchange and on the Pacific Coast Stock Exchange.

DESCRIPTION OF DEBENTURES

Set forth below is a description of the basic terms of the 7% Subordinated Debentures due January 31, 1994 ("Debentures"). The statements under this caption relating to the Debentures and the Indenture between the Company and Franklin National Bank dated as of January 2, 1969 ("Indenture"), copies of which will be on file with the Securities and Exchange Commission, are summaries and do not

purport to be complete. The provisions of the Indenture and the Debentures are incorporated herein by reference and the summaries are qualified in their entirety thereby.

Form. The Debentures will be issuable as registered Debentures without coupons in denominations of \$100, multiples of \$100 up to \$1,000, multiples of \$1,000 and such other denominations as the Company may determine.

Maturity and Interest. The Debentures will mature on January 31, 1994 and will bear interest at the rate of 7% per year from a date in February, 1969, payable semi-annually on July 31 and January 31 of each year commencing July 31, 1969. Interest on the Debentures will be payable to the persons in whose names the Debentures are registered at the close of business on the preceding July 15 or January 15. The Debentures are payable both as to principal and interest at an office or agency maintained by the Company in the Borough of Manhattan, New York, New York, and are direct unsecured obligations of the Company.

Optional Redemption. The Debentures will not be redeemable prior to January 31, 1974, and thereafter will be redeemable at the option of the Company, as a whole or from time to time in part, upon not less than 30 days notice, at the redemption prices set forth below (expressed in percentages of the principal amount) together in each case with accrued interest to the redemption date during the 12-month period beginning on January 31 of each of the following years:

Year	Redemption Price	Year	Redemption Price
1974	105 %	1983	102¼ %
1975	104¾ %	1984	102 %
1976	104¼ %	1985	101¾ %
1977	103¾ %	1986	101½ %
1978	103½ %	1987	101¼ %
1979	103¼ %	1988	101 %
1980	103 %	1989	100¾ %
1981	102¾ %	1990	100½ %
1982	102½ %	1991	100¼ %

and thereafter at 100%.

The Indenture does not, however, preclude the Company from retiring Debentures through open market or negotiated transactions.

Subordination. The indebtedness evidenced by the Debentures (including principal, premium, if any, and interest) is subordinated in right of payment to all present or future Senior Indebtedness. "Senior Indebtedness" is defined to mean (a) indebtedness of the Company for money borrowed, (b) indebtedness incurred by the Company in the acquisition of any business, real property or other assets (except assets acquired in the ordinary course of the conduct of its usual business), (c) guarantees of indebtedness of subsidiaries at least 25% owned for borrowed money, and (d) renewals, extensions and refundings of such indebtedness; unless in any case it is provided that the particular indebtedness, renewal, extension or refunding is not superior in right of payment to the Debentures. Senior Indebtedness excludes indebtedness represented by the Company's 6% Cumulative Income Subordinated Debentures due December 1, 1990, and 5% Convertible Subordinate Notes due June 15, 1988.

In the event of any dissolution, winding up, total liquidation or reorganization of the Company (whether in bankruptcy, insolvency or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of assets of the Company or otherwise) all Senior Indebtedness will be paid, or provision made therefor in cash, before any payment is made on the Debentures. During the continuance of any default of which the Company and the Trustee shall have written notice on any Senior Indebtedness, the effect of which is to permit the holder of any such Senior Indebtedness

to demand payment of the total amount of such Senior Indebtedness, no payment of principal of, premium, if any, or interest will be made on the Debentures. By reason of such subordination in the event of insolvency, creditors of the Company who are not holders of Senior Indebtedness or of the Debentures may recover less, ratably, than holders of Senior Indebtedness but may recover more, ratably, than holders of the Debentures.

The Company will be prohibited from creating or incurring any subordinated debt which is superior in right of payment to the Debentures.

Modification and Amendment. The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than 66⅔% in principal amount of the Debentures at the time outstanding, to modify the Indenture or any supplemental indenture or the rights of the holders of the Debentures; provided that no such modification may (i) extend the fixed maturity of any Debentures, or reduce the principal amount thereof, or reduce the rate or extend the time for payment of interest thereon, or reduce any premium payable on redemption thereof without the consent of the holder of each Debenture so affected, or (ii) reduce the aforesaid percentage of Debentures, the consent of the holders of which is required for any such modification, without the consent of the holders of all Debentures then outstanding.

Events of Default. An "Event of Default" is defined to mean: failure to pay principal and premium, if any, when due, either at maturity, upon redemption or otherwise; failure to pay interest when due for 30 days; failure to perform any other covenant in the Indenture for 60 days after notice; certain events of bankruptcy, insolvency or reorganization of the Company or any subsidiary; and any default on any Funded Debt of the Company or any subsidiary, if such default is not waived or cured and would permit acceleration of such Funded Debt. The Indenture provides that the Trustee shall, within 90 days after the occurrence of a default, give to the holders of Debentures notice of all uncured defaults known to it (the term default to include the events specified above without grace periods); provided that, except in the case of default in payment of principal, premium or interest in respect of the Debentures, the Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the Debentureholders.

The Company will be required to furnish to the Trustee within 120 days after the close of each fiscal year a statement of certain officers of the Company to the effect that a review of the activities of the Company has been made with a view to determining whether its obligations under the Indenture have been complied with and as to whether such officers have obtained knowledge of any default under the Indenture during such fiscal year.

Rights on Default. The Trustee or the holders of 25% of the Debentures will be authorized to declare the principal of all Debentures due and payable upon the happening of any Event of Default specified in the Indenture, but the holders of a majority of the Debentures are authorized to waive any default, other than a default in payment of principal, interest or premium, and rescind such declaration if the default is cured. Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Debentureholders, unless such Debentureholders have offered to the Trustee reasonable indemnity. Subject to such provision for indemnification, the holders of a majority in principal amount of the Debentures at the time outstanding have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee.

Aggregate Principal Amount. There will be no limit as to the aggregate principal amount of Debentures to be issued from time to time under the Indenture. The Company may issue Debentures for purposes other than the Exchange Offer. Holders of all Debentures issued under the Indenture will be included in the same class for the purpose of ascertaining all rights and obligations arising under the Indenture.

Exchange Listing. The Company intends to apply for listing of the Debentures on the New York Stock Exchange and on the Pacific Coast Stock Exchange.

LEGAL OPINIONS

Legal matters in connection with the Debentures and Warrants offered hereby are being passed upon for the Company by Messrs. Lovejoy, Wasson, Lundgren & Ashton, 250 Park Avenue, New York, N. Y. 10017, and for the Dealer Managers by Messrs. Holtzmann, Wise & Shepard, 30 Broad Street, New York, N. Y. 10004 and Goldfeld, Charak, Tolins & Lowenfels, 711 Fifth Avenue, New York, New York 10022.

EXPERTS

The consolidated financial statements of General Host Corporation included in this Prospectus and the schedules included in or incorporated by reference in the Registration Statement have been so included or incorporated by the Company in reliance upon and to the extent set forth in the opinion of Price Waterhouse & Co., independent accountants, and Bogue, Compton & Vass, independent accountants, and on the authority of said firms as experts in auditing and accounting.

OPINIONS OF INDEPENDENT ACCOUNTANTS

To the Directors and Stockholders of
General Host Corporation

In our opinion, based on our examination and the reports mentioned below of other independent accountants, the accompanying consolidated balance sheet and related consolidated statement of retained earnings, together with the consolidated statement of income appearing elsewhere herein, present fairly the financial position of General Host Corporation and its subsidiaries at December 30, 1967 and the results of their operations for the five fiscal years then ended, in conformity with generally accepted accounting principles. These principles were consistently applied, except for the change, which we approve, in the method of computing depreciation described in Note 8 to the consolidated financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Li'l General Stores, Inc. for the four fiscal years ended October 29, 1966, which statements were examined by other independent accountants whose reports thereon have been furnished to us.

PRICE WATERHOUSE & CO.

New York, N. Y.
February 9, 1968

(Except as to the merger referred to in Note 1
for which the date is July 19, 1968 and Note 11
for which the date is September 9, 1968)

To the Board of Directors of
Li'l General Stores, Inc.

We have examined the consolidated balance sheet of Li'l General Stores, Inc. and its subsidiaries as of October 29, 1966 and the related consolidated statements of income and retained earnings for the four years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements (not presented separately herein) present fairly the consolidated financial position of Li'l General Stores, Inc. and its subsidiaries at October 29, 1966 and the results of their operations for the four years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

BOGUE, COMPTON & VASS

Tampa, Florida
December 8, 1966

**GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES**

CONSOLIDATED BALANCE SHEET

ASSETS

	<u>December 30, 1987</u>	<u>October 5, 1988</u> (unaudited)
Current Assets		
Cash	\$ 8,765,665	\$ 7,278,576
Short-term and other marketable securities, at cost which approximates market	—	4,170,845
Receivables less allowance for doubtful accounts of \$172,000 and \$219,000, respectively	9,317,307	11,217,449
Inventories, at the lower of average cost or market (Note 4)	8,029,156	8,072,616
Prepaid expenses	921,734	956,211
Total current assets	<u>27,033,862</u>	<u>31,695,697</u>
Investments and Other Assets:		
Investment in Uncle John's Restaurants, Inc., at cost (approximate quoted market value \$4,900,000) (Note 2)	3,156,625	—
Investment in Armour and Company, at cost (approximate quoted market value \$7,399,000) (Note 2)	—	9,450,000
Other investments and miscellaneous assets	1,566,614	1,193,330
Total investments and other assets	<u>4,723,239</u>	<u>10,643,330</u>
Property and Plant, at cost (Note 8)		
Land	3,441,725	3,215,987
Buildings, Machinery and Equipment less accumulated depreciation of \$54,451,078 and \$56,335,177, respectively	36,468,770	37,922,775
Net property and plant	<u>39,910,495</u>	<u>41,138,762</u>
Goodwill (Note 1)	<u>409,254</u>	<u>388,254</u>
	<u>\$72,076,850</u>	<u>\$83,866,043</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	\$ 7,742,408	\$ 7,046,473
Accrued expenses	3,801,753	3,369,056
Current portion of long-term debt (Note 5)	2,076,536	2,559,960
Federal income taxes	812,280	998,146
Total current liabilities	<u>14,432,977</u>	<u>13,973,635</u>
Long-Term Debt: (Note 5)		
Notes payable to insurance companies	9,400,000	9,400,000
Notes payable to banks	3,500,000	9,650,000
6% cumulative income subordinated debentures, due December 1, 1990	9,284,500	9,284,500
Other	2,619,470	2,232,743
Total long-term debt	<u>24,803,970</u>	<u>30,567,243</u>
Deferred Federal Income Taxes (Note 7)	758,763	970,916
Unamortized Excess of Equity in Net Assets of Subsidiary Companies over Cost (Note 1)	<u>940,747</u>	<u>798,780</u>
Commitments and Contingent Liabilities (Notes 10 and 11)		
Stockholders' Equity:		
Common stock, \$1.00 par value, authorized 5,000,000 shares, issued 2,346,072 and 2,550,872 shares, respectively (Note 6)	9,085,244	2,550,872
Capital in excess of par value (Note 6)	2,366,714	14,298,998
Retained earnings per accompanying statement (Note 5)	19,688,435	22,945,599
	31,140,393	39,795,469
Less—Cost of 63,000 shares of common stock in treasury (Note 6)	—	2,240,000
Total Stockholders' Equity	<u>31,140,393</u>	<u>37,555,469</u>
	<u>\$72,076,850</u>	<u>\$83,866,043</u>

**GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES**

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Fiscal Year Ended Proximate to December 31,			40 Weeks Ended October 5, 1968 (unaudited)
	1965	1966	1967	
Retained earnings at beginning of period	\$17,621,445	\$14,548,411	\$17,154,324	\$19,688,435
Net income (loss) per consolidated statement of income	(2,414,919)(1)	2,712,327	2,713,924	3,182,096
	<u>15,206,526</u>	<u>17,260,738</u>	<u>19,868,248</u>	<u>22,870,531</u>
General Host Corporation:				
Cash dividends on preferred stock (\$4.50 per share)	(426,958)			
Cash payments on preferred stock	(231,157)			
Li'l General Stores, Inc.:				
Cash dividends on common stock		(106,414)	(179,813)	(90,219)
Net income of Li'l General Stores, Inc. for the two months ended December 31, 1967 (Note 1)				165,287
Retained earnings at end of period (Note 5)	<u>\$14,548,411</u>	<u>\$17,154,324</u>	<u>\$19,688,435</u>	<u>\$22,945,599</u>

(1) Restated to give effect to retroactive adjustment in 1967. See Note (d) to the consolidated statement of income and Note 3 to the consolidated financial statements.

**GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—Basis of Consolidation

The consolidated financial statements include the accounts of the company and all of its subsidiaries. The company's equity in the net assets of the consolidated subsidiaries, as shown by their books, exceeded its investment therein at December 30, 1967 by \$1,719,842 of which \$779,095 is included in retained earnings and \$940,747 is included in unamortized excess of equity in net assets of subsidiary companies over cost in the consolidated financial statements. The comparable amounts at October 5, 1968 (unaudited) were \$2,573,754, \$1,774,974 and \$798,780, respectively.

On October 5, 1966 the company purchased from The Goldfield Corporation all of the issued and outstanding stock of Yellowstone Park Company and Everglades Park Co. Inc., and certain assets comprising the Frontier West project. The acquisition was treated as a purchase for accounting purposes and, accordingly, the results of their 1966 operations were included in the 1966 consolidated statement of income from the date of acquisition. The \$1,395,175 excess of the equity in net assets at the date of acquisition over the company's cost was recorded as a deferred credit in the balance sheet. Amortization of such excess in an amount equivalent to the loss of \$336,834 from the date of acquisition to December 31, 1966, was included in income for 1966 and the balance is being amortized over a period of nine years from January 1, 1967.

In January 1968 the company agreed to acquire all of the capital stock of Utah Parks Company in exchange for shares of the company's common stock. The number of shares to be issued will be based on the net asset value of Utah at the date of closing and is presently estimated to be 37,500 shares. The consummation of this transaction, is contingent upon Utah entering into a new concession contract with the National Park Service which is satisfactory to the company. Based on unaudited financial statements, the sales and net profit of Utah for the ten months ended October 31, 1968 were approximately \$1,772,000 and \$23,000, respectively.

On July 19, 1968 the company issued 661,279 shares of its common stock in exchange for all of the outstanding shares of Li'l General Stores, Inc. on the basis of nine-tenths of a share of General Host stock for each share of Li'l General stock. The transaction has been accounted for as a pooling of interests and, accordingly, the accounts of the two companies have been combined for all periods prior to the merger. The results of operations for the unaudited 40 week period ended October 5, 1968 includes the operations of Li'l General Stores, Inc. for the 40 weeks ended October 5, 1968 and the results of operations for the fiscal year ended December 30, 1967 includes the operations of Li'l General Stores, Inc. for the fiscal year ended October 28, 1967. Accordingly, Li'l General's net income of \$165,287 for the two months ended December 31, 1967 has been credited directly to retained earnings and has not been included in the consolidated statement of income.

Goodwill represents the excess of cost over net book value at dates of acquisition of subsidiaries of Li'l General Stores, Inc. and is being amortized over periods ranging from 15 to 18 years, representing the remaining composite life of the store leases acquired.

NOTE 2—Investments

During 1966 and 1967 the company purchased 917,875 shares of the common stock of Uncle John's Restaurants, Inc., representing approximately a 41% interest. On August 26, 1968, the company sold its entire holdings and realized a gain of \$818,270, after related federal income tax of \$365,000. The company has guaranteed bank loans of Uncle John's up to a maximum of \$400,000.

On August 16 and October 15, 1968, the company acquired 150,000 and 600,000 shares, respectively, of the common stock of Armour and Company from Gulf & Western Industries, Inc. for cash in the amount of \$44,400,000 and a ten year warrant to purchase 175,000 shares of the company's common stock at \$30.00 per share. The number of shares issuable under the warrant and the purchase price thereof have been adjusted to 184,405 and \$28.47, respectively, to reflect the dilution resulting from the issuance in October 1968, of \$47,400,000 of the company's 5% convertible subordinate notes. For accounting purposes, the warrant has been assigned a value of \$1,050,000 and the cost of the investment in the stock of Armour and Company increased thereby. During the period from November 1, 1968 to December 2, 1968 the company purchased an additional 252,500 shares of common stock of Armour and Company on the open market at an aggregate cost of \$14,832,259 or \$58.74 per share.

NOTE 3—Disposal of Unprofitable Facilities

In 1965 the Company established a reserve for estimated losses expected to result from the program for the discontinuation of unprofitable operations and the disposal of idle facilities in the amount of \$4,398,269, less related federal income tax reductions of \$1,907,000. Aggregate charges to the reserve, representing losses on disposal of

**GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

facilities and related expenses, amounted to \$391,269 in 1965, \$1,273,000 in 1966 and \$480,305 in 1967, all net of related federal income tax reductions.

Losses incurred in connection with the program, which has now been completed, have been less than original estimates and, accordingly, the remaining balance of \$624,695, less related federal income tax reductions of \$278,000, has been credited directly as a retroactive adjustment of the 1965 provision.

NOTE 4—Inventories

Inventories used in the determination of cost of sales were as follows:

	Raw Materials	Supplies	Finished Products	Total
December 26, 1964	\$2,220,901	\$2,386,779	\$2,444,101	\$7,051,781
December 25, 1965	1,998,895	2,218,330	2,937,142	7,154,367
December 31, 1966	1,856,186	1,986,597	3,817,413	7,660,196
December 30, 1967	1,749,997	2,140,913	4,138,246	8,029,156
October 5, 1968 (unaudited)	1,746,423	2,097,843	4,228,350	8,072,616

NOTE 5—Long-Term Debt

The notes payable to insurance companies bear interest at $5\frac{1}{4}\%$ and are payable in annual instalments of \$800,000 to 1977 with the balance of \$2,200,000 due in 1978.

The 6% cumulative income subordinated debentures are subject to redemption through the operation of a sinking fund beginning in 1971 at the rate of \$450,000 principal amount each year.

The loan agreement relating to the $5\frac{1}{4}\%$ notes payable and the indenture relating to the 6% cumulative income subordinated debentures contain certain restrictions relating to the payment of dividends, the incurrence of additional indebtedness and the maintenance of working capital, as well as interest and sinking fund requirements on the debentures. As of December 30, 1967 and October 5, 1968 (unaudited) approximately \$2,561,000 and \$3,503,000, respectively, of retained earnings was not restricted as to the payment of dividends or interest on the debentures.

The notes payable to bank bear interest at the rate of 1% above the lending bank's "prime" interest rate and are payable in quarterly instalments of \$250,000 each, beginning September 15, 1968.

Other long-term debt includes notes payable of Yellowstone Park Company in the amount of \$700,000 secured by the pledge of its assets having an approximate book value of \$5,400,000 at December 30, 1967.

At October 5, 1968 the aggregate maturities of long-term debt and sinking fund requirements for the years 1969 through 1973 were as follows:

1969	\$2,544,000
1970	2,167,000
1971	2,535,000
1972	2,491,000
1973	1,961,000

During October 1968 the company sold at par \$47,400,000 of its 5% convertible subordinate notes due June 15, 1988. The notes are convertible at any time into an aggregate of 1,755,555 shares of the company's common stock at the rate of \$27.00 per share. The company may, at its option, prepay the notes in whole or in part upon payment of a premium of 5% to June 15, 1969 and at reduced amounts thereafter.

On November 1, 1968, the company entered into a loan agreement with a group of banks under which the company may borrow up to \$20,000,000 on or before March 31, 1969 to purchase shares of common stock of Armour and Company. The borrowings will bear interest at the rate of 1% above the prime rate and be payable \$500,000 quarterly beginning May 1, 1969, with the balance payable on November 1, 1973. In addition, beginning in 1970, the company is required to make prepayments equal to 25% of the excess of net income, as defined, over the annual payments on all of the company's long-term debt. The agreement further provides that the company will not borrow in excess of \$6,000,000 of additional debt, unless satisfactorily subordinated to borrowings under the loan agreement.

**GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 6—Common Stock

Transactions in the common stock and capital in excess of par value accounts during the three years and unaudited 40 weeks ended October 5, 1968 were as follows:

	Common Stock		Capital in Excess of Par Value
	Shares	Amount	
Balance December 28, 1964	1,606,745	\$8,033,725	\$ 13,865
Stock options exercised	12,125	60,625	6,111
Balance December 25, 1965	1,618,870	8,094,350	19,976
Excess of proceeds over cost of treasury stock sold or issued under stock options	—	—	16,788
Balance December 31, 1966	1,618,870	8,094,350	36,764
Stock options exercised	34,135	170,675	122,191
Shares issued in exchange for stock of Uncle John's Restaurants, Inc.	31,788	158,940	476,811
Balance December 30, 1967	1,684,793	8,423,965	635,766
Shares issued in exchange for common stock of Li'l General Stores, Inc.	661,279	661,279	2,090,948
Estimated expenses of merger with Li'l General Stores, Inc.	—	—	(360,000)
Balance December 30, 1967 as restated for pooling of interests	2,346,072	9,085,244	2,366,714
Conversion of Li'l General Stores, Inc. debentures, prior to merger	—	—	100,000
Additional expenses of merger with Li'l General Stores, Inc.	—	—	(19,544)
Stock options exercised	4,800	14,000	63,456
Reduction of par value from \$5.00 to \$1.00 per share	—	(6,748,372)	6,748,372
Shares sold in public offering	200,000	200,000	3,990,000
Issuance of warrant to purchase common stock (Note 2)	—	—	1,050,000
Balance October 5, 1968 (unaudited)	2,550,872	\$2,550,872	\$14,298,998

Transactions in the treasury stock account during the three years and unaudited 40 weeks ended October 5, 1968 were as follows:

	Shares	Amount
Balance December 28, 1964 and December 25, 1965	28,990	\$ 256,441
Shares purchased during year	10,000	157,949
Shares sold during year	(7,000)	(61,950)
Stock options exercised	(12,575)	(111,289)
Balance December 31, 1966	19,415	241,151
Stock options exercised	(19,415)	(241,151)
Balance December 30, 1967	—	—
Shares acquired in connection with merger of Li'l General Stores, Inc.	63,000	2,240,000
Balance October 5, 1968 (unaudited)	63,000	\$2,240,000

On March 28, 1968 the company's certificate of incorporation was amended to (a) increase the authorized common stock from 2,000,000 to 5,000,000 shares, (b) reduce the par value of the common stock from \$5.00 to \$1.00 per share and (c) reduce the stated capital at December 30, 1967 to \$1,684,793, representing the par value of the shares outstanding.

On July 11, 1968 the company's certificate of incorporation was amended to authorize the issuance of 1,000,000 shares of \$1.00 par value preferred stock and on October 10, 1968 the certificate of incorporation was further amended to increase the authorized common stock of the Company to 10,000,000 shares.

Under the company's Qualified Stock Option Plan, options may be granted to key employees at not less than the fair market value of the company's stock on the date of grant. The options become exercisable after one year of employment and expire five years after grant, but are not exercisable so long as there is outstanding any exercisable option previously granted if the option price on the previously granted option is higher than the option price of the new option. At October 5, 1968 (unaudited) 63,000 shares were available for granting additional options.

**GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes data concerning stock options:

Options outstanding at October 5, 1968 (unaudited):

Granted in	Number of Shares	Option price		Fair value at date of grant	
		Per Share	Total	Per Share	Total
1965	25,500	\$ 8.19-\$13.75	\$ 239,375	\$ 8.19-\$13.75	\$ 239,375
1966	31,500	16.75- 19.63	567,188	16.75- 19.63	567,188
1967	6,700	26.94	180,481	26.94	180,481
1968	33,000	31.75- 33.81	1,053,938	31.75- 33.81	1,053,938
	<u>96,700</u>		<u>\$2,040,982</u>		<u>\$2,040,982</u>

The number of shares with respect to which options became exercisable during 1965, 1966, 1967 and 1968 as follows:

Year becoming exercisable	Number of Shares	Option price		Fair value at date exercisable	
		Per Share	Total	Per Share	Total
1965	4,878	\$ 6.75-\$ 8.50	\$ 36,303	\$ 8.50-\$11.13	\$ 45,213
1966	75,875	6.75- 19.63	1,036,906	14.50- 19.63	1,209,625
1967	34,250	8.19- 26.94	480,588	16.00- 36.00	756,728
1968 (unaudited)	30,000	31.75	952,500	31.75	952,500

The number of shares with respect to which options were exercised during 1965, 1966, 1967 and 1968 as follows:

Year of exercise	Number of Shares	Option price		Fair value at date exercised	
		Per Share	Total	Per Share	Total
1965	12,125	\$ 6.75-\$ 7.25	\$ 86,969	\$ 9.13-\$15.13	\$ 174,257
1966	12,575	6.75- 13.10	92,026	13.81- 21.00	235,136
1967	53,550	7.25- 19.63	534,018	16.13- 40.13	1,286,494
1968 (unaudited)	4,800	13.75- 26.94	77,456	30.12- 37.12	162,381

No amounts have been reflected in the income accounts as a result of the grant or exercise of these options.

NOTE 7—Federal Income Taxes

Federal income taxes for 1966 and 1967 and the unaudited 40 week period ended October 7, 1967 are based on the results of operations for the applicable periods, whereas the company's actual tax liability for those periods has been reduced by \$1,104,000, \$228,000 and \$248,000, respectively, as a result of the current deductibility for tax purposes of losses incurred in the disposal of unprofitable facilities which were charged to the reserve provided therefor in 1965.

Included in federal income taxes for 1967 and the unaudited 40 week periods ended October 7, 1967 and October 5, 1968 are deferred taxes of \$593,000, \$418,000, and \$406,000, respectively, resulting from the use of accelerated depreciation methods for tax purposes and the straight-line method for financial reporting purposes.

The company follows the flow-through method of accounting for the investment tax credit and, accordingly, federal income taxes for 1964, 1967 and the unaudited 40 week periods ended October 7, 1967 and October 5, 1968 have been reduced by \$281,000, \$136,000, \$138,000 and \$576,000, respectively, representing the amount of allowable credit for the respective periods. At December 30, 1967 and October 5, 1968 (unaudited), the company had unused investment tax credit carry-overs amounting to approximately \$600,000 and \$144,000, respectively, available for tax reductions.

**GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 2—Property and Plant

	December 31, 1967	October 5, 1968
Property and Plant comprised:		(unaudited)
Buildings	\$31,143,655	\$31,061,814
Machinery and equipment	45,192,960	46,035,698
Automobiles and trucks	11,013,857	10,473,524
Construction in progress	808,287	3,607,714
Leasehold improvements	2,761,089	3,079,202
	90,919,848	94,257,952
Less—Accumulated depreciation and amortization	54,451,078	56,335,177
	36,468,770	37,922,775
Land	3,441,725	3,215,967
	<u>\$39,910,495</u>	<u>\$41,138,762</u>

Effective January 1, 1967 the Company, for financial reporting purposes, changed from an accelerated method to the straight-line method of computing depreciation while continuing to use accelerated methods for tax purposes. This change had the effect of decreasing depreciation expense for the year by approximately \$1,150,000 and, after provision for deferred federal income taxes, increasing net income by approximately \$600,000 or \$.26 per share.

Amortization of leasehold improvements is based on the length of the respective leases, or the useful life of the respective assets, if shorter. The estimated lives used in computing the depreciation provisions are as follows:

Buildings	10-50 years
Machinery and equipment	3-14 years
Automobiles and trucks	4- 6 years

Expenses for maintenance and repairs of capital assets are charged against current operations. The costs of renewals and betterments are capitalized.

Upon normal dispositions of assets for which composite reserves for depreciation and obsolescence are maintained, the cost of the assets, less any recoveries, is charged against the reserve for depreciation. In the case of abnormal disposition of assets or the sale or retirement of assets for which composite reserves are not maintained, the cost of the assets and the related accumulated depreciation are eliminated from the accounts and the resulting profit or loss is included in income.

**GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 9—Employee Retirement Plan

The company has in effect a contributory retirement plan for the benefit of all eligible employees. Based on the opinion of the company's independent consulting actuary, the plan was fully funded at December 30, 1967 and October 5, 1968 (unaudited), and no contribution to the fund or charge to income was required during the three years and unaudited 40 weeks ended October 5, 1968, since the amount of the normal cost for each period was offset by actuarial gains.

NOTE 10—Commitments

At October 5, 1968 (unaudited) the company was party to various leases with minimum aggregate rentals of approximately \$29,193,000 payable over varying periods with an approximate annual cost of \$3,033,000 in 1969 and in reduced amounts in subsequent years.

Under its contract with the National Park Service, Yellowstone Park Company at October 5, 1968 (unaudited) was committed to expend an aggregate of not less than \$7,800,000 by June 30, 1975 on the construction and renovation of park facilities.

NOTE 11—Litigation

The company is currently the defendant in several lawsuits which, in the opinion of management and legal counsel, will not result in any significant liability to the company. In addition, subsequent to February 9, 1968 the company was named as a defendant in certain civil and criminal actions. In the opinion of management and legal counsel, the actions will not have any material adverse effect on the company's financial position.

NOTE 12—Supplementary Profit and Loss Information

	Fiscal Years			40 Weeks Ended October 5, 1968
	1965	1966	1967	(unaudited)
Maintenance and repairs, charged to:				
Cost of sales and service	\$2,864,227	\$2,440,407	\$3,104,663	\$2,288,991
Delivery, selling, advertising and administrative expense	3,470,494	2,755,370	3,130,600	2,453,725
	<u>\$6,334,721</u>	<u>\$5,195,777</u>	<u>\$6,235,263</u>	<u>\$4,742,716</u>
Depreciation and amortization, charged to:				
Cost of sales and service	\$3,153,948	\$2,644,007	\$2,419,505	\$2,245,952
Delivery, selling, advertising and administrative expense	1,865,124	1,524,488	1,594,180	958,051
	<u>\$5,019,072</u>	<u>\$4,168,495</u>	<u>\$4,013,685</u>	<u>\$3,204,003</u>
Taxes, other than federal income, charged to:				
Cost of sales and service	\$2,000,129	\$2,040,603	\$2,153,572	\$1,853,213
Delivery, selling, advertising and administrative expense	2,002,478	1,886,938	2,295,172	2,140,000
	<u>\$4,002,607</u>	<u>\$3,927,541</u>	<u>\$4,448,744</u>	<u>\$3,993,313</u>
Taxes, other than federal income, comprise:				
Unemployment insurance and federal old age benefits	\$2,748,019	\$2,786,080	\$3,146,760	\$2,636,426
Real estate and personal property	855,098	781,323	854,408	755,268
Auto, selling licenses and miscellaneous	399,490	360,138	447,576	601,619
	<u>\$4,002,607</u>	<u>\$3,927,541</u>	<u>\$4,448,744</u>	<u>\$3,993,313</u>
Rents and royalties, charged to:				
Cost of sales and service	\$1,182,530	\$1,480,787	\$1,848,872	\$1,358,374
Delivery, selling, advertising and administrative expense	2,973,193	3,310,070	4,276,502	3,708,478
	<u>\$4,155,723</u>	<u>\$4,790,857</u>	<u>\$6,125,374</u>	<u>\$5,066,852</u>

There were no management and service contract fees.

Note—Depreciation and amortization shown above include the following amounts relating to facilities disposed of:

	Fiscal Year 1965
Charged to:	
Cost of sales and service	\$548,450
Delivery, selling, advertising and administrative expense	261,555
	<u>\$810,005</u>

It was not practicable to determine maintenance and repairs, taxes, other than federal income taxes, and rents and royalties applicable to those facilities disposed of. The information for 1966, 1967 and 1968 excludes amounts relating to such facilities.

ANNEX A—DESCRIPTION OF ARMOUR AND COMPANY

Note: Because Armour has declined to provide General Host with information concerning itself, (although it has indicated that financial information may be available at a later date) the following information drawn from the most recent publicized sources may be incomplete or misleading and General Host can make no representation concerning its accuracy or completeness.

Description of Armour's Business

Armour has described itself in a Registration Statement filed with the Securities and Exchange Commission which became effective on May 3, 1968, as follows:

"[Armour] was incorporated under the laws of Illinois in 1900, and by merger into a subsidiary in 1960 became a Delaware corporation. Its business is divided into eight major segments, one of which it operates under the trade name, "Armour Foods," and seven of which are incorporated as wholly-owned subsidiaries. The subsidiaries are Armour Agricultural Chemical Company, Armour Grocery Products Company, Armour Industrial Chemical Company, Armour Industrial Products Company, Armour Leather Company, Armour Pharmaceutical Company and Baldwin-Lima-Hamilton Corporation.

"Armour Foods slaughters livestock and processes and buys and sells meats and animal products and their by-products. Armour Foods also manufactures or processes and buys and sells other food products, including poultry, eggs, butter, cheese, vegetable oils, margarine, salad oil and shortening. It is divided into two major operations. One consists of processed meat products, dairy and poultry products, and food service operations; the other consists of fresh meat and related products. Armour Foods markets its products under a number of trademarks, including "Armour Star," "Golden Star," "Ham What Am" and "Cloverbloom."

"Armour Agricultural Chemical Company is a major factor in the production and marketing of fertilizers. It is largely self-sufficient in the three basic fertilizer raw materials with its wholly-owned sources of phosphate and nitrogen and [Armour's] joint venture interest in a Canadian potash mining operation. It also markets ammonia and nitrogen solutions, ammonium nitrate, anhydrous ammonia, ammonium phosphate, triple-superphosphate and ground phosphate rock, along with a complete line of insecticides, weed killers and fungicides for agricultural use. These products are marketed primarily under the trademarks of "Vertagreen" and "Armagard." For further information concerning Armour Agricultural Chemical Company, reference is made to the second paragraph under the caption Recent Developments.

"Armour Grocery Products Company manufactures and markets soaps, detergents, shampoos, glycerine, industrial and household floor waxes, household ammonia, spray fabric sizing, and pizza mixes. It also markets shelf-size canned meats and pet foods which are manufactured by Armour Foods. Among its trademark items are "Dial" soaps and shampoos, "Princess" complexion soap, "Chiffon" liquid detergent, "Bruce" waxes, "Parsons" ammonia, "Magic" spray sizing, "Appian Way" pizza mixes, "Treet" and "Armour Star" canned meats and "Dash" pet foods.

"Armour Industrial Chemical Company produces and markets, primarily for industrial use, fatty acids, esters, nitrogen derivatives and other organic and inorganic chemicals, resins and polymers.

"Armour Industrial Products Company manufactures and markets coated abrasives, adhesives, bonded fibres, capliner and other resin coated products and pressure sensitive tape products.

"Armour Leather Company tans hides, and produces and markets shoe and specialty leathers and leather by-products and substitutes.

"Armour Pharmaceutical Company manufactures and markets ethical pharmaceuticals, including hormones, enzymes, hematologicals, and cardiovascular and nervous system drugs; veterinary biological pharmaceuticals; and antacid and antiperspirant ingredients. Its products include thyroid and the trademarked items "Chymar," "Chymoral" and "Biozyme" (systemic anti-inflammatory enzyme preparations) and "Acthar Gel" (ACTH).

"Baldwin-Lima-Hamilton Corporation manufactures and markets construction equipment, heavy machinery and industrial equipment, and a line of electronic equipment. It is divided into four major segments. The Industrial Equipment Division manufactures heavy equipment such as hydraulic turbines, hydraulic presses, governors and valves, ship propellers, pumps, heat exchangers and desalination systems. The Standard Steel Division manufactures weldless rings and flanges and steel specialties. The Construction Equipment Division manufactures a line of highway construction machinery and builds equipment for lumbering, mining, building construction and road maintenance. BLH Electronics, Inc. manufactures equipment for the electronic measurement of weight, pressure, strain and torque.

"[Armour] is the second largest meat packer in the United States according to published industry statistics. [Armour] believes that it is also among the leaders in the field of agricultural chemicals; household soaps; fatty chemicals; hydraulic turbines, governors and valves; ship propellers; electronic force measurement equipment and desalination systems. Conditions in all major segments of [Armour's] business are highly competitive. During the 1967 fiscal year, Armour Foods' livestock slaughter approximated 10% of the total federally inspected slaughter of cattle, hogs, lambs and calves. Although over recent years Armour Foods has accounted for more than 74% of the gross volume of business of [Armour] the other [Armour] groups have in each such year accounted for more than 50% of [Armour's] earnings and now represent more than 60% of [Armour's] assets."

"Recent Developments

"On January 15, 1968, Gulf & Western Industries, Inc. (G&W) informed [Armour] that it had acquired 9.8% of the outstanding common stock of [Armour] and suggested a plan of consolidation of the two corporations, whereby the holders of [Armour's] common stock would receive, for each 2.25 shares of [Armour's] common, one share of 3 $\frac{3}{4}$ % preferred stock convertible into 1.648 shares of G&W common plus, for each share of [Armour's] common, .275 of a warrant to purchase a share of G&W common at \$55 per share. [Armour] promptly initiated economic and legal studies of the proposal and retained independent financial and legal advisors to do the same. While these studies were still in progress, on February 5, 1968, G&W informed [Armour] that in view of present unfavorable market conditions, G&W had suspended consideration of a merger with [Armour]. Accordingly, [Armour] suspended its studies, and the proposal has not come before the Board of Directors of [Armour] for its consideration. A letter of inquiry by the U. S. Department of Justice concerning the proposal has not been withdrawn, however, and the information requested thereby is being assembled.

"A decision has been made to sell the United States assets and business of Armour Agricultural Chemical Company to United States Steel Corporation. The transaction has been approved by the Boards of Directors of both corporations, subject to compliance with legal requirements, and a definitive contract was executed on April 29, 1968. If the sale is consummated, the net realization to [Armour] will be in excess of \$100,000,000, in cash. The business being sold represents approximately 7% of total sales, and 25% of total assets, of [Armour] and its consolidated subsidiaries, based upon fiscal 1967 figures. Taking into account the proceeds, the transaction will reduce total assets by approximately 5% and will result in a non-recurring loss of approximately \$13,000,000 which will be reported as an extraordinary charge in the 1968 accounts. The earnings of the business being sold, included in the earnings of [Armour] and its consolidated subsidiaries for the 1967 fiscal year, were negligible. Although the use of the proceeds has not been finally determined, it is anticipated that a portion will be used, at least initially, to reduce debt or the outstanding capital stock of [Armour], or both, but that in the main the proceeds will over a period of time be invested in strengthening [Armour's] existing businesses and in developing and acquiring new lines.

"Prior to January 9, 1968, [Armour] owned, through one of its wholly-owned non-consolidated foreign subsidiaries, a 50% interest in Armour Hess Chemicals Limited, a British corporation

the production and marketing of fatty acids and nitrogen derivatives. On that date, [Armour] acquired, through another of its wholly-owned subsidiaries, the outstanding 50% interest in this facility for \$3,142,000.

"A new phosphoric and sulfuric acid plant was completed near Bartow, Florida, in 1965. Additional phosphate rock reserves in Florida were acquired in 1964, 1965, 1966 and 1967. In 1967 [Armour], pursuant to contracts entered into with Freeport Sulphur Company in 1966, conveyed to it an undivided one-half interest in certain phosphate rock lands near Fort Meade, Florida, and commenced construction of a phosphate rock mine on the jointly owned properties, which mine will be operated as a joint venture. These assets and business are included in those which are subject to the above mentioned sale to United States Steel Corporation.

"In 1963 and 1964 [Armour] and Pittsburgh Plate Glass Company made substantial investments in and advances to Kalium Chemicals Limited. This equally owned Canadian corporation has constructed facilities near Regina, Saskatchewan, Canada, for the solution mining and refining of potash. Commercial production began in November, 1964, and a substantial portion is sold to [Armour]. Kalium Chemicals Limited continued to operate profitably in 1967 and remitted \$500,000 to [Armour] against advances made in prior years. It also arranged a \$20 million financing from which each of the owners was repaid an additional \$7,495,000. The balance of the borrowed funds will be used for general corporate purposes. For further information concerning Kalium operations and properties, reference is made to the last paragraph under the caption Agricultural Chemical Properties.

"In 1965 [Armour] joined with Shell Chemical Company Limited (a member of the Royal Dutch/Shell Group) in forming an equally owned company, Shellstar Limited, to manufacture and market agricultural fertilizers and chemicals in the United Kingdom. Shellstar owns and operates plants at Shell Haven on the Thames Estuary. A new nitrogen complex with a capacity to produce 750,000 tons of straight and concentrated fertilizers is expected to be on stream in 1969. For information concerning commitments in connection with the financing of Shellstar, reference is made to Note 12 to the Financial Statements.

"[Armour] is collaborating with an Indian industrial firm with a view to construction and operation of an ammonia-urea project with capacity to produce approximately 340,000 metric tons per year of urea, at a site in Goa.

"Kalium and Shellstar operations and the Goa project are not presently included in the proposed sale to United States Steel Corporation, and no decision has been made as to the possible disposition of any of them.

"In 1964 [Armour] completed and put into operation near Aurora, Illinois, a continuous system plant for the manufacture of Dial Soap, and, through a wholly-owned Canadian subsidiary, a fatty acids nitrogen derivatives plant in Saskatoon, Saskatchewan, Canada.

"Since 1963 [Armour] has acquired the assets of several small companies engaged, respectively, in the production and sale of antacid and antiperspirant ingredients for use by the pharmaceutical and cosmetic and toiletries industries, veterinary biological pharmaceuticals, capliner and other resin coated products, pressure sensitive tape products, and the distribution of a spray fabric sizing household ironing aid, has acquired a small company engaged in the development of microwave processing equipment, and has acquired a line of floor wax and cleaner products sold under the trade mark "Bruce" together with production facilities for such products.

"[Armour] sold its Sole Leather Division in September, 1964, its Sheepskin Leather Division in February, 1965, and its food oil refineries at Kankakee, Illinois, Chattanooga, Tennessee, and Fort Worth, Texas, in September, 1966.

"During the past five years [Armour] has put into operation two new packing plants in Sterling, Illinois, and Worthington, Minnesota, has acquired an existing hog processing plant in Sioux City,

Iowa, has commenced construction of a new food processing and distribution center in Pittsburgh, Pennsylvania, and has opened new food processing and distribution centers in Mobile, Alabama, Dorsey, Maryland, Garland, Texas, and New Berlin, Wisconsin, and a turkey processing plant in Washington, Indiana. During these five years certain unprofitable units, including seven meat packing plants, a meat processing unit, a number of food branch houses and several miscellaneous units, have been closed and most of these units have been sold. The closing of these various facilities, together with the opening of the new plants and food processing and distribution centers is believed to have made [Armour's] operations more efficient and to have permitted better utilization of its facilities. In continuation of its replacement and relocation program, [Armour] has announced that it will close three slaughtering plants during 1968. Reference is made to Note 7 to the Financial Statements for information concerning a reserve provided in connection with the continuation of this program.

"Baldwin-Lima-Hamilton Corporation (BLH) was merged into [Armour] on July 2, 1965. Under the Joint Plan and Agreement of Merger, [Armour] acquired the assets and assumed the liabilities of BLH and each outstanding share of BLH Common Stock (except 118,435 shares purchased for cash) was converted into 13/100ths shares of a new \$4.75 Preferred Stock (cumulative and \$100 par value) and 1/6th share of Common Stock of [Armour]. Its business is now operated as a wholly-owned subsidiary of [Armour].

"For information concerning the purchase by [Armour] during 1966 of 5 3/4% convertible subordinated debentures of International Packers Limited (IPL), and the termination of the voting trust agreement under which [Armour's] shares of common stock of IPL were held, reference is made to Note 3 to the Financial Statements.

"Employees

"[Armour] employs approximately 37,800 persons, of whom 24,000 are represented by labor unions. About 230 labor contracts covering production workers are negotiated with 26 different international unions.

"There are two Master Agreements (identical in all material respects), negotiated in March, 1967, with the United Packinghouse, Food and Allied Workers AFL-CIO, and the Amalgamated Meat Cutters and Butcher Workmen of North America AFL-CIO. Units covered by these agreements include most of [Armour's] meat packing and processing units, and the Aurora and Chicago Grocery Products plants. The present Master Agreements expire on August 31, 1970.

"Most of the other production units of [Armour] and its subsidiaries are under individual unit contracts with various unions and having various dates of expiration.

"Employee relations in the main are considered to be good.

"Plants and Properties

"[Armour], whose executive offices at 401 North Wabash Ave., Chicago, Illinois are leased, owns or leases extensive properties for use in its business. The principal units are as follows:

"Meat Packing Plants:

"[Armour] operates twenty-three livestock slaughtering and meat packing and processing plants located as follows:

Brownsville, Tex.
 *Denver, Colo.
 Dixon, Calif.
 Gaffney, S. C.
 Green Bay, Wis.
 Houston, Tex.
 Huron, S. D.
 Lexington, Ky.

*Lubbock, Tex.
 Mason City, Iowa
 Memphis, Tenn.
 Nampa, Idaho
 *Omaha, Nebr.
 Pittsburgh, Pa.
 Portland, Ore.

Reading, Pa.
 San Angelo, Tex.
 Sioux City, Iowa
 South St. Joseph, Mo.
 South St. Paul, Minn.
 Spokane, Wash.
 Sterling, Ill.
 Worthington, Minn.

"The Sioux City plant is located on leased land; the Denver, Houston and Lubbock plants are held under lease; the other nineteen are owned. During 1968 [Armour] plans to close the three plants designated by an asterisk (*).

"Frosted Meat Plant:

"[Armour] owns and operates a frosted meat processing plant at Eau Claire, Wisconsin.

"Dairy and Poultry Plants:

"[Armour] operates twenty-five dairy and poultry plants, of which sixteen are owned and nine are leased, located in fifteen states.

"Shortening and Edible Oil Plants:

"[Armour] owns and operates a complete deodorizing and hydrogenation facility located at Omaha, Nebraska, for the production of lard, shortening, salad oil, margarine and vegetable oils, and two packaging plants located at Helena, Arkansas, and Norfolk, Virginia. In addition, there are lard refining facilities in various meat packing plants.

"Food Branch Houses:

"[Armour] operates one hundred nineteen food branch houses in the United States, of which seventy-three are owned and forty-six are leased. A consolidated subsidiary of [Armour] leases and operates a food branch house in Panama, R. P.

"Agricultural Chemical Properties:

"Armour Agricultural Chemical Company operates the following agricultural chemical plants. Those designated by an asterisk (*) are held under lease, and those designated by a double asterisk (**) are located on leased ground; the others are owned. For further information concerning Armour Agricultural Chemical Company, reference is made to the second paragraph under the caption Recent Developments.

"Two phosphoric acid and sulfuric acid plants, located at Bartow and Fort Meade, Florida; and one triple-superphosphate plant located at Fort Meade, Florida.

"Two phosphate rock plants, located at Bartow and Hancock, Florida.

"Two anhydrous ammonia and nitrogen derivatives plants, located at *Cherokee, Alabama, and Crystal City, Missouri.

"Six complete fertilizer plants, located at Albany and Columbus, Georgia; Chicago Heights, Illinois; Greensboro and Navassa, North Carolina; and Nashville, Tennessee.

"One acidulating and fertilizer mixing plant, located at New Orleans, Louisiana.

"Eight ammoniate and fertilizer mixing plants, located at *Davenport, Florida, East St. Louis, Illinois, Jeffersonville, Indiana, Waterloo, Iowa, Baltimore, Maryland, *Owosso, Michigan, Winona, Minnesota, and Memphis, Tennessee.

"Thirty liquid mix or bulk blend fertilizer plants, located at **Kirklin, New Harmony, Rushville, Saratoga and Warren, Indiana; **Belmond, Carroll, Jefferson, **Sanborn and Vinton, Iowa; **Lake Arthur, Louisiana; **Austin, Blue Earth, Olivia, **Wilmar and Windom, Minnesota; Caruthersville and Centralia, Missouri; **Bellevue, Botkins, Cincinnati, **Dola and Polk, Ohio; Dallas, **Houston, Odem and *Plainview, Texas; **Spencer and Stevens Point, Wisconsin; and *San Juan, Puerto Rico.

"Armour Agricultural Chemical Company also operates fertilizer warehouses and industrial ammonia plants and bulk stations at various owned or leased locations.

"Armour Agricultural Chemical Company owns or controls through long-term leases two phosphate rock mining properties, located in Florida, one of which is equipped with complete mining facilities. Based on drilling data, [Armour] estimates that, of its owned and leased phosphate rock reserves of 59,557,782 mineable tons, 43,462,782 mineable tons will average between 31.1% and 32.4% phosphorus pentoxide and are sufficient to sustain production of phosphate rock at substantially the present rate for approximately 22 years. These estimates include one-half of the estimated rock reserves of 33,271,000 mineable tons with an estimated phosphorus pentoxide content of 31.40% on the properties in which an undivided one-half interest has been conveyed to Freeport Sulphur Company pursuant to the joint venture agreements described above under the caption Recent Developments. Mining data on the remaining 16,095,000 mineable tons have not been fully developed.

"During the years 1963, 1964, 1965, 1966 and 1967 the production of phosphate rock was 1,859,000, 1,945,000, 2,369,000, 1,911,000 and 2,034,800 gross tons, respectively. The design capacity of the mine under construction and operated as a joint venture with Freeport Sulphur Company is 2,000,000 tons of phosphate rock per year. In 1964, 1965, 1966 and 1967 the proportion of gross tons of matrix mined to overburden was 53.6%, 63.0%, 55.8% and 57.4%, respectively, the proportion of phosphate rock produced to gross tons of matrix mined was 26.1%, 25.2%, 20.3% and 17.4%, respectively, and the average phosphorus pentoxide grades of rock produced were 32.84%, 32.92%, 32.31% and 31.95%, respectively. It is estimated that the proportion of gross tons of matrix to overburden of the properties to be mined by the joint venture will be approximately 10% and the proportion of phosphate rock produced to gross tons of matrix mined will be approximately 22%.

[On July 1, 1968, Armour completed the sale of its domestic agricultural chemical business. See page of this Proxy Statement.]

"Kalium Chemicals Limited, a Canadian corporation owned equally by [Armour] and Pittsburgh Plate Glass Company, owns and operates facilities near Regina, Saskatchewan, Canada, for the solution mining and refining of potash. Commercial production of potash commenced in November of 1964. Production for the fiscal years ended October, 1965, 1966 and 1967, was 470,000 tons, 627,000 tons and 846,000 tons, respectively, of potassium chloride product averaging in potash the equivalent of 60% potassium oxide. From the drilling that has been done it is estimated that there are 950,000,000 tons of ore in place averaging 17.14% potassium oxide. It is further estimated that the solution mining method being used (which is the only feasible method for mining [Armour's] deposit) is capable of recovering 140,000,000 tons of such ore, from which 40,000,000 tons of potash product (i.e. potassium chloride) averaging 60% potassium oxide can be produced. Drillings on which such estimates are based are on a portion of the property and such drillings did not delimit the extent of the ore. Mining to date indicates no change required in previous estimates of recoverable ore. There has been no material change in the amount of water required to produce a ton of product compared to original estimates.

"Grocery Products Plants:

"Armour Grocery Products Company owns and operates a plant near Aurora, Illinois, for the manufacture of soaps and glycerine; a plant at Chicago, Illinois, for the manufacture of detergents; a plant at Bellwood, Illinois, for the manufacture of packaged pizza mix; and a household ammonia, floor wax and cleaner products plant at Memphis, Tennessee. It also leases and operates a household ammonia plant at Clifton, New Jersey. Shelf-size canned meats and pet foods, distributed by Armour Grocery Products Company, are manufactured at [Armour's] Omaha and South St. Paul packing plants.

"Industrial Chemical Plants:

"Armour Industrial Chemical Company owns and operates a plant at McCook, Illinois, for the manufacture of fatty acids and nitrogen derivatives of fatty acids and other industrial chemicals;

a plant at Carpentersville, Illinois, which manufactures nitrogen derivatives of fatty acids and other industrial chemicals; and a fatty esters plant at Philadelphia, Pennsylvania. It also leases a chemical warehouse and distribution point at Lodi, New Jersey. A wholly-owned Canadian subsidiary (not consolidated) owns and operates a fatty acids nitrogen derivatives plant in Saskatoon, Saskatchewan, Canada.

"Abrasives, Coated Products and Adhesives and American Tape Plants:

"Armour Industrial Products Company owns and operates an abrasives and bonded fibres plant at Alliance, Ohio; two coated products plants located at East Rutherford, New Jersey, and Saugus, California; two adhesive plants located at Philadelphia, Pennsylvania, and Chicago, Illinois; and leases and operates two pressure sensitive tape products plants at Marysville, Michigan, and Los Angeles, California. Adhesives manufacturing operations are also conducted at [Armour's] Omaha and South St. Paul packing plants.

"Leather Plant:

"Armour Leather Company owns and operates a leather tannery at Sheboygan, Wisconsin.

"Pharmaceutical Laboratories:

"Armour Pharmaceutical Company owns and operates a pharmaceutical, bio-chemical and veterinary products plant near Kankakee, Illinois; a specialty pharmaceutical and cosmetic and toiletries chemicals plant at Berkeley Heights, New Jersey; and two veterinary products plants located at Lathrop, Missouri, and Elkhorn, Nebraska.

"Construction, Industrial and Electronic Equipment Plants:

"BLH operates two construction equipment plants located at Aurora, Illinois and Lima, Ohio; a heavy industrial equipment plant at Eddystone, Pennsylvania; an electronics force measurement equipment plant at Waltham, Massachusetts; a steel specialties plant at Burnham, Pennsylvania; and a light industrial equipment plant at Beacon, New York. The Waltham plant is held under lease; the others are owned.

"Microwave Processing Plant:

"The Cryodry Corporation, a wholly-owned consolidated subsidiary of [Armour], owns and operates a plant at San Ramon, California, engaged in the manufacture and development of microwave heat processing equipment.

"Research Laboratories:

"Armour Foods and each of the major subsidiaries of [Armour] has its own research facilities.

"[Armour's] and [its] consolidated subsidiaries' real properties, other than those stated to be held under lease are held in fee, approximately 34% of the net book value of which is subject to the lien of [Armour's] indenture of mortgage and deed of trust, dated January 1, 1923, as amended and supplemented, and the subsequent underlying indentures of mortgage and deeds of trust of certain of [Armour's] subsidiaries."

Since the date of the foregoing description, Armour, according to information contained in an August 1, 1968, Offer to Purchase Common Stock of Armour and Company at \$50 per share, has had the following changes:

"On July 1, 1968, [Armour] completed the sale of its domestic agricultural chemical business. The proceeds from the disposition of this business, after certain post-closing adjustments and collection of retained receivables, are expected to total approximately \$130,000,000. It is anticipated

that this disposition will result in an extraordinary charge of approximately \$13,000,000 in [Armour's] fiscal 1968 accounts. This charge is in addition to reserves established in prior years and is net of the federal income tax reduction in the current year arising out of the loss on the sale of the business.

"On the date hereof, [Armour] is distributing to its stockholders rights to purchase 18.4% of the Common Stock of Armour-Dial, which prior hereto has been a wholly-owned subsidiary of [Armour]. Proceeds from this sale will go to Armour-Dial and will be used as set forth in Armour-Dial's Prospectus dated today which contains information about this important part of [Armour's] business and about certain transactions between [Armour] and Armour-Dial."

Armour announced on August 13, 1968, that it would purchase 1,500,000 shares of its Common Stock at \$50 per share pursuant to the offer mentioned above, which it would continue to hold as Treasury Shares.

Proposed Armour Acquisition

On December 13, 1968 it was reported in the press that Armour and Company plans to make an exchange offer to shareholders of Williams Brothers Company ("Williams"), a Tulsa-based pipeline and pipeline services concern. In September a proposed merger of Williams with ACF Industries, Inc. was abandoned. In November a proposed combination of Williams with International Minerals & Chemicals Corp. was abandoned.

The announcement by Armour reported in the press was that Armour would exchange $1\frac{1}{3}$ shares of Armour common stock for each share of Williams' approximately 2.9 million shares of common stock outstanding.

On the terms announced, Armour would issue approximately 3.8 million shares of its common stock, which would dilute the percentage ownership of present holders of outstanding Armour common stock by approximately 62%. The proposed Armour exchange offer for Williams stock apparently would be conditioned upon acceptance by holders of 80% of Williams currently outstanding common stock.

Under the rules of the New York Stock Exchange Armour would be required to obtain the approval of its stockholders for the proposed transaction with Williams stockholders. As of December 20, 1968 Armour has not announced a record date for a stockholders' meeting to act upon an exchange offer to stockholders of Williams. General intends to propose any such exchange offer at any such meeting.

Williams reported earnings for 1967, before extraordinary items, at \$14.6 million or \$5.57 per share of Williams on sales of \$99.4 million. Williams reported nine months' earnings in 1968 at \$12 million or \$3.60 per share of Williams on sales of \$75.1 million, down from \$12.5 million earnings or \$3.78 per Williams share, for the comparable period in the preceding year.

In its proxy statement dated August 23, 1968 for its proposed merger into ACF Industries, Inc., Williams described itself as follows:

"[Williams] is presently engaged in the business of owning and operating a common carrier petroleum products pipeline system, and engineering and constructing pipelines and related facilities for the oil and gas industry. In 1968 common carrier pipeline operation contributed 46.7% of the operating revenues, construction contributed 45.4%, and engineering contributed 7.9%.

Capitalization of Armour

Armour stated in its Registration Statement which became effective May 3, 1968 that its capitalization was as follows:

"The capitalization of [Armour] as of January 27, 1968, is as follows. The amounts outstanding will not be affected by the sale of the Common Stock hereby offered.

	Originally Authorized	Outstanding January 27, 1968
"Long Term Debt:		
First Mortgage 2¾% Sinking Fund Bonds, Series F, due July 1, 1971	\$50,000,000	\$ 10,075,000
First Mortgage 3% Sinking Fund Bonds, Series G, due July 1, 1971	12,000,000	8,046,000
Notes Payable—Banks(1)	60,000,000	60,000,000
Equipment lease obligations(2)	—	9,531,153
7½% Purchase Money Note, due January 11, 1971	—	3,000,000
"Subordinated Long Term Debt:		
4½% Convertible Subordinated Debentures, due September 1, 1983	32,648,300	32,645,600
5% Cumulative Income Subordinated Debentures, due November 1, 1984	60,000,000	48,606,520
Short Term Notes Payable	—	26,966,630
Total Debt		\$198,870,903
Percent of total capitalization		33.0%
\$4.75 Preferred Stock, \$100 par value (shares)	550,000	526,352
Series Preferred Stock, \$100 par value (shares)	350,000	None
Common Stock, \$5 par value (shares)	15,000,000(3)	7,549,790(4)

"(1) Reference is made to Note 5 to the Financial Statements for information concerning these Notes Payable.

"(2) Reference is made to Note 12 to Financial Statements for information concerning these and other lease obligations.

"(3) Of the authorized but unissued Common Stock, 638,357 shares are reserved for issuance upon conversion of the 4½% Convertible Subordinated Debentures at a conversion price of \$51.14 principal amount of debentures for each share of stock, and 240,069 shares are reserved for issuance pursuant to a Restricted or Qualified Stock Options granted or authorized to be granted.

"(4) Excludes 23,875 shares held by [Armour], of which 23,873 (not included in unissued shares reserved) are held available for delivery upon exercise of stock options granted to certain officers and employees of [Armour]. See "Options to Purchase Securities" under the heading "Management" and Note 9 to the Financial Statements. The stock options therein described constitute an element of potential dilution to stockholders."

Armour reduced its outstanding shares by purchasing 1,500,000 shares in its August tender offer. It was reported in the press that 6,095,000 shares were outstanding as of November 2, 1968.

General's Stockholdings in Armour

As of December 24, 1968 General owned 1,002,500 shares of Armour common stock, representing approximately 16.5% of the total outstanding. No other person has reported to the Securities and Exchange Commission or is known by General to own of record or beneficially more than 10% of the outstanding stock of Armour. However, General presently does not participate in the direction or management of Armour. To the best knowledge of General there are presently 17 directors of Armour. The terms of 6 directors expire in 1969, 5 in 1970 and 6 in 1971. In addition, Armour has cumulative voting.

Common Stock of Armour

In the May 3, 1968 Armour Registration Statement, Armour described its common stock as follows:

"The Certificate of Incorporation of [Armour] authorizes the issuance of 15,000,000 shares of Common Stock, of the par value of \$5 per share, of which 7,549,790 were issued and outstanding as of January 27, 1968. The issued and outstanding shares are fully paid and nonassessable. The Common Stock is listed on the New York and Midwest Stock Exchanges.

"Dividend Rights. Subject to the limitations referred to in "Limitations on the Payment of Dividends" or in "Preferred Stock Limitations," the holders of shares of Common Stock are entitled to receive such dividends as may be declared by the Board of Directors.

"Voting Rights. Subject to the limitations referred to in "Preferred Stock Limitations," holders of Common Stock are entitled to one vote for each share held on any matter submitted to a vote at any meeting of stockholders, and in all elections of directors every holder of Common Stock has the right to vote the number of shares owned by him for as many persons as there are directors to be elected by the holders of Common Stock or to cumulate his votes and give one candidate as many votes as the number of such directors to be elected multiplied by the number of his shares shall equal, or to distribute them on the same principle among the number to be voted for, or for any two or more of them, as he shall see fit. The Board of Directors is seventeen in number, divided into three classes of which two consist of six directors and one consists of five, and at each annual meeting of stockholders the members of the class whose term expires are elected for a term of three years.

"Limitations on the Payment of Dividends. The various documents pursuant to which Armour's long term obligations have been issued provide certain restrictions and limitations upon the payment of dividends on the Company's capital stock. Under the most restrictive provisions of these documents, none of [Armour's] earnings employed in the business at October 28, 1967, was restricted as to payment of cash or property dividends.

"Preferred Stock Limitations. The Certificate of Incorporation of [Armour] authorizes the issuance of 550,000 shares of \$4.75 Preferred Stock, par value \$100 per share, of which 526,352 shares were issued and outstanding as of January 27, 1968. Dividends on the \$4.75 Preferred Stock are cumulative, to the extent not paid, and the stock is entitled to the benefits of mandatory annual cumulative sinking fund payments from and after September 1, 1971, in an amount per year sufficient to redeem 6,000 shares at par plus accrued and unpaid dividends. Previously purchased shares of \$4.75 Preferred Stock may also be used to satisfy the sinking fund requirement.

"If and so long as [Armour] may be in default with respect to any dividend or sinking fund payment on the \$4.75 Preferred Stock, it may not pay any dividends (other than dividends payable in junior stock) or make other distributions on junior stock or acquire shares of junior stock for a consideration.

"When, if ever, dividends on the \$4.75 Preferred Stock shall be in arrears, in whole or in part, as to each of six quarterly dividends, whether or not consecutive, holders of the \$4.75 Preferred Stock have the exclusive right, voting separately as a class at the next annual meeting of stockholders, and annually thereafter, to elect two Directors in addition to those elected by other classes of stockholders. Such right of election and the existence of such additional directorships shall continue until such time as all cumulative dividends in arrears have been paid in full. The holders of at least 10% of the \$4.75 Preferred Stock may require that a special meeting of the holders be called to elect such additional Directors if the described arrearages shall occur more than 90 days prior to the date fixed by the By-Laws for the next annual meeting of stockholders.

"[Armour], without the approval of at least a majority of the then outstanding \$4.75 Preferred Stock, voting as a class, or the unanimous written consent of such stock, may not create, issue or

increase any class or series of stock ranking on a parity with the \$4.75 Preferred Stock either as to dividends or liquidation rights. [Armour], without the approval of at least two-thirds of the then outstanding \$4.75 Preferred Stock, voting as a class, or the unanimous written consent of such stock, may not

"(a) alter materially any existing provision of the \$4.75 Preferred Stock,

"(b) create, issue, or increase any class or series of stock ranking prior to the \$4.75 Preferred Stock either as to dividends or liquidation rights, or increase the authorized amount of the \$4.75 Preferred Stock, or

"(c) sell, lease or convey all or substantially all [Armour's] property or business; or voluntarily liquidate or dissolve; or merge or consolidate unless the holders of the \$4.75 Preferred Stock will thereupon hold substantially equivalent stock of the resultant company.

"No such approval or consent will be required, however, for issuance either of senior or parity stock for the purpose of redeeming all the \$4.75 Preferred Stock.

"Except as described above, the \$4.75 Preferred Stock has no voting rights. It has no preemptive rights and no conversion rights, and is not liable for further calls or subject to assessment.

"The Certificate of Incorporation of [Armour] also authorizes, in the discretion of the Board of Directors, the issuance of 350,000 shares of Series Preferred Stock of \$100 par value, none of which has been issued. If any of such shares are issued, they may be preferred, both as to earnings and assets, over the Common Stock and the issuance thereof might impose additional restrictions on the payment of dividends on the Common Stock.

"*Other Rights.* In the event of any liquidation, dissolution or winding up of [Armour], the holders of the \$4.75 Preferred Stock are entitled to receive an amount equal to the accrued and unpaid dividends thereon plus, on involuntary liquidation, \$100 per share, or on voluntary liquidation, the lesser of \$102 per share or the then current redemption price. After the holders of the \$4.75 Preferred Stock have been paid in full the amounts to which they are entitled, and subject to the rights of the holders of any Series Preferred Stock at the time outstanding, the remaining net assets of [Armour] or the proceeds thereof are distributable to the holders of the Common Stock.

"*Holders of Common Stock have no preemptive rights and no conversion rights.* The Common Stock is not redeemable by [Armour], and is not liable for further calls or subject to assessment."

Armour Financial Statements

The following financial statements of Armour appeared in Armour's May 3, 1968 Registration Statement. Note references in such financial statements are to the Notes to Armour's Financial Statements which appeared in such Registration Statement and are reprinted herein.

ARMOUR AND COMPANY
CONSOLIDATED STATEMENT OF EARNINGS

	"Fiscal years ended				
	October 28, 1967	October 29, 1966	October 30, 1965	October 31, 1964(1)	November 2, 1963(1)
	(in thousands of dollars)				
"Sales, including service revenues	\$2,156,724	\$2,280,276	\$2,061,735	\$1,890,648	\$1,814,524
Dividend and interest income	3,975	2,944	2,072	1,812	2,257
Other income	2,218	2,217	1,040	527	399
	<u>2,162,917</u>	<u>2,285,437</u>	<u>2,064,847</u>	<u>1,892,987</u>	<u>1,817,180</u>
Cost of materials (Notes 1 and 2)	1,442,311	1,582,293	1,427,131	1,282,457	1,242,239
Wages, supplies and operating expenses	464,254	446,492	411,127	391,710	374,584
Selling and administrative expenses	150,396	152,013	136,251	130,271	125,215
Depreciation (Note 11)	22,530	20,401	17,530	15,517	13,895
Employee pension plans (Note 14)	15,309	14,498	11,871	9,681	8,695
Interest expense	11,053	9,580	7,468	7,702	6,642
Taxes (other than Federal income taxes)	22,324	21,648	16,400	17,078	16,238
	<u>2,128,177</u>	<u>2,246,925</u>	<u>2,027,778</u>	<u>1,854,416</u>	<u>1,787,508</u>
Earnings before Federal taxes on income	34,740	38,512	37,069	38,571	29,672
Provision for Federal taxes on income and related charges:					
Federal incomes taxes (Note 6)	6,007	12,038	6,912	11,787	6,089
Deferred Federal incomes taxes on difference between financial and tax expense (Notes 7 and 11)	3,141	3,513	4,050	2,803	4,940
Charge equivalent to Federal income tax deferral arising from investment credit	—	—	—	—	465
Amounts equivalent to (provision for) reduction in Federal income tax in respect of (gains) losses and expenses in closing and replacement of facilities (Note 7) and in 1967 settlement of certain liabilities which arose prior to the date of the BLH merger (Note 1)	3,327	(1,711)	3,675	1,161	1,818
	<u>12,475</u>	<u>13,840</u>	<u>14,637</u>	<u>15,751</u>	<u>13,312</u>
Earnings before extraordinary items	22,265	24,672	22,432	22,820	16,360
Extraordinary items (Note 7):					
Gain (loss) on sale of facilities, less Federal income tax of \$1,711 in 1966 and less Federal income tax reductions of \$3,377 in 1965	—	1,534	(4,204)	—	—
Charge in connection with replacement or relocation of facilities, less anticipated Federal income tax reduction of \$15,000	—	(24,000)	—	—	—
Net earnings	<u>\$ 22,265</u>	<u>\$ 2,206</u>	<u>\$ 18,228</u>	<u>\$ 22,820</u>	<u>\$ 16,360</u>
Applicable to Common Stock after deducting Preferred Stock dividend requirement:					
Earnings before extraordinary items	\$ 19,765	\$ 22,172	\$ 21,532	\$ 22,820	\$ 16,360
Net earnings (loss)	19,765	(294)	17,328	22,820	16,360
Per Share of Common Stock:					
Earnings before extraordinary items(2)	\$2.61	\$2.93	\$3.12	\$3.70	\$2.67
Net earnings (loss) (2)	2.61	(0.04)	2.51	3.70	2.67
Cash dividends declared(3)	1.60	1.60	1.56	1.27	1.27
Stock dividend declared	—	—	10%	—	—
Pro forma per share earnings of Common Stock assum- ing exercise of stock options and conversion of 4½% convertible debentures(2):					
Earnings before extraordinary items	\$2.48				
Net earnings	2.48				

"(1) Fiscal years 1963 and 1964 have been restated to include company acquired in 1965 in a pooling of interests. See Note 1 to the Financial Statements.

(2) Per share data are based on weighted average number of common shares issued after recognition of the dividend requirements on the \$4.75 preferred stock.

The pro forma per share data are based on the assumption that (1) the 4½% convertible subordinated debentures outstanding at year end had been converted into Common Stock, with the related interest paid on the convertible debentures (less applicable income tax) being eliminated and (2) the stock options outstanding at year end had been exercised, with the proceeds therefrom earning interest (less applicable income tax) at the prime rate.

(3) Cash dividends declared per share of Common Stock have been adjusted in 1963-1965 to give effect to the 10% stock dividend paid in 1965. The amounts are exclusive of dividends paid by pooled companies.

NOTE: See comments under "Recent Developments" on page 7.

"It is expected that earnings for the 6 months ending April 27, 1968, will be somewhat less than those reported for the 6 months ended April 29, 1967, primarily because of depressed earnings of Armour Agricultural Company, a wholly-owned subsidiary. As indicated under the heading Recent Developments, [Armour] has entered into a contract for the sale of the assets and business of this subsidiary.

"ARMOUR AND COMPANY**"CONSOLIDATED STATEMENT OF FINANCIAL POSITION****"October 28, 1967****"(in thousands of dollars)**

"CURRENT ASSETS:			
Cash			\$ 32,393
Notes and accounts receivable (less allowance for doubtful notes and accounts— \$2,179) (Note 7):			
Notes receivable	\$ 21,968		
Accounts receivable	145,935		167,903
"INVENTORIES:			
Products and in process and finished manufactured goods (Notes 1 and 2)	163,315		
Supplies and manufacturing raw materials	37,652		200,967
Total current assets			401,263
"INVESTMENTS (Notes 3 and 9)			67,176
"PLANT AND EQUIPMENT (Notes 11 and 12):			
Land, at cost	24,215		
Buildings, machinery and fixed equipment, at cost	371,879		
Accumulated depreciation	(203,603)		
Automotive and other movable equipment, at cost less accumulated depreciation of \$14,461	18,519		211,010
"DEFERRED CHARGES (Note 4)			12,528
			<u>\$691,977</u>
"CURRENT LIABILITIES:			
Notes payable			\$ 30,067
Accounts payable			61,568
Accrued liabilities			13,830
Federal income taxes			6,081
General and payroll taxes			5,183
Long term obligations payable within one year (Note 5)			5,070
Total current liabilities			121,799
"LONG TERM DEBT (Note 5)			86,894
"SUBORDINATED LONG TERM DEBT (Note 5)			81,460
"RESERVES AND DEFERRED CREDITS:			
Anticipated costs related to replacement or relocation of facilities (net after Federal income taxes of \$12,563) (Note 7)	\$ 18,365		
Deferred Federal income taxes (Note 7)	29,674		
Credit arising from merger (Note 1)	7,756		55,795
"STOCKHOLDERS' EQUITY:			
\$4.75 Preferred stock, par value \$100 per share—authorized 550,000 shares, issued 526,352 shares (Note 8)	52,635		
Common stock, par value \$5 per share—authorized 15,000,000 shares, issued 7,572,364 shares (Notes 8 and 9)	37,862		
Capital in excess of par value (per accompanying statement)	127,909		
Earnings employed in the business (per accompanying statement) (Note 10)	127,623		346,029
COMMITMENTS (Note 12)			<u>\$691,977</u>

(See notes to financial statements)

"ARMOUR AND COMPANY**"CONSOLIDATED STATEMENTS OF CAPITAL IN EXCESS OF PAR VALUE
AND EARNINGS EMPLOYED IN THE BUSINESS****"For the Three Fiscal Years Ended October 28, 1967****"(in thousands of dollars)**

	"Fiscal years ended		
	"October 28, 1967	October 29, 1966	October 30, 1965
"CAPITAL IN EXCESS OF PAR VALUE			
Balance at beginning of the year	\$127,696	\$127,504	\$ 51,589
Excess of proceeds over par value of Common Stock issued in connection with:			
Exercise of purchase warrants (expired December 31, 1964)	—	—	1,174
Exercise of employe stock options	213	192	292
Rights offering subscriptions	—	—	21,525
Excess of market value over par value of Common Stock issued in payment of 10% stock dividend	—	—	24,500
Excess of consideration received over par value of Common Stock issued in acquisition of BLH (Note 1)	—	—	28,422
Excess of principal amount of 4½% Convertible Subordinated Debentures converted over par value of Common Stock issued and cash paid for fractional interests	—	—	2
Balance at end of the year	<u>\$127,909</u>	<u>\$127,696</u>	<u>\$127,504</u>
"EARNINGS EMPLOYED IN THE BUSINESS			
Balance at beginning of the year	\$119,919	\$132,262	\$152,786
Net earnings per consolidated statement of earnings	22,265	2,206	18,228
Cash dividends:			
On Preferred Stock—\$4.75, \$4.75 and \$1.491 per share, respectively	(2,500)	(2,500)	(785)
On Common Stock—\$1.60, \$1.60 and \$1.56 per share, respectively, as adjusted in 1965 for the 10% stock dividend	(12,061)	(12,049)	(10,674)
Stock dividend—10% in Common Stock	—	—	(27,293)
Balance at end of the year (Note 10)	<u>\$127,623</u>	<u>\$119,919</u>	<u>\$132,262</u>

"(See notes to financial statements)

"ARMOUR AND COMPANY**"NOTES TO FINANCIAL STATEMENTS****"For the Three Fiscal Years Ended October 28, 1967****"NOTE 1—BASIS OF CONSOLIDATION:**

The consolidated financial statements include the accounts of the Company, wholly-owned domestic companies and one small wholly-owned foreign company. The Company carries its investment in consolidated subsidiary companies and in a non-consolidated Canadian subsidiary company at an amount equal to its equity in the net worth of such companies.

No individual or group financial statements are included for non-consolidated subsidiaries and fifty-percent owned persons, which are principally foreign companies. Considered in the aggregate as a single subsidiary, these companies would not constitute a significant subsidiary.

In 1965 and 1963 the Company issued, respectively, 83,455 and 107,284 shares of Common Stock in poolings of interests. The consolidated statement of earnings for the fiscal years 1965 and 1963 includes the operations of the respective pooled companies for the entire year. Financial statements and financial information have been restated wherever applicable to include the pooled companies.

On July 2, 1965, the Company acquired Baldwin-Lima-Hamilton Corporation (BLH). At that date the net book value of assets of BLH exceeded the consideration paid by \$21,718,639, a portion of which was recorded as additional accumulated depreciation and the balance as a deferred credit. Net earnings for 1967, 1966 and 1965 includes \$2,711,556, \$3,095,356 and \$1,073,783, respectively, representing reductions in depreciation expense and pro rata portions of the deferred credit which is being amortized over a period of seven and one-half years. During 1967 the deferred credit was charged with \$963,628 after Federal income tax reduction of \$889,400, in respect of the settlement of liabilities which arose prior to the date of the merger, the amount of which was indeterminable at that time. The tax reduction of \$889,400 decreased the Company's estimated Federal income tax liability for the 1967 fiscal year by such amount.

Intercompany and intracompany items have been eliminated in the consolidated statements, except for possible intercompany and intracompany profits included in the carrying value of inventories due principally to the methods of pricing certain items of food inventories. It is impracticable to determine the amount of such profits.

"NOTE 2—INVENTORIES:

Inventories are priced as follows: certain items, primarily pork, at cost on the basis of "last-in, first-out", other items at the lower of cost (principally current standards) or market and the balance at market less allowance for selling expense. The amounts of products and in process and finished manufactured goods inventories entering into the computation of cost of goods sold were as follows: October 28, 1967—\$163,314,825; October 29, 1966—\$165,532,112; October 30, 1965—\$133,489,489 and October 31, 1964—\$110,114,011.

"NOTE 3—INVESTMENTS:

The Company's investments at October 28, 1967, consist of the following, carried at cost or less:

Kalium Chemicals Limited(1)	\$12,135,086
International Packers Limited:	
Common Stock (757,594 shares)	13,857,021
5½% debentures	2,203,400
Shellstar Limited(1) (Note 12)	19,236,988
Long term receivables	12,836,099
Other (Note 9)	6,907,106
	<u>\$67,175,700</u>

"(1) See comments under "Recent Developments" in the text of the [Armour] Prospectus.

"The International Packers Limited (IPL) debentures, which are traded on the New York Stock Exchange, are convertible into IPL common stock at \$10 per share. Aggregate market value at October 28, 1967, of these debentures is \$2,534,000.

"In 1966 the Company agreed to certain restrictions for an eight-year period on any disposition of IPL stock, such restrictions being designed to insure broad distribution of those shares. Market value of the shares held by the Company at October 28, 1967, is approximately \$7,480,000. The equity attaching to the Company's investment in common stock of IPL is approximately \$14,250,000.

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS—(Continued)"

"NOTE 4—DEFERRED CHARGES:

Deferred charges include, among other things, intangible assets representing the unamortized cost of trademarks, trade names, etc., which are being amortized on a net of tax basis over a period of twenty years. Changes in such intangible assets during the 1967 fiscal year were as follows:

Balance, October 29, 1966	\$10,011,730
Provision for amortization, charged to earnings	(259,379)
Abandonments charged to Reserve for anticipated costs related to replacement or relocation of facilities	(24,267)
Transferred to Plant and Equipment	(25,000)
Balance, October 28, 1967	<u>\$ 9,703,084</u>

At October 28, 1967, deferred charges are stated net of \$640,000 of deferred income representing unamortized 1962 investment credit, which is being reflected in earnings over the estimated useful lives of the related assets.

"NOTE 5—LONG TERM OBLIGATIONS:

Long term obligations outstanding at October 28, 1967, and maturities and sinking fund requirements for the 1968 fiscal year are as follows:

<u>Long Term Debt</u>	<u>Amount authorized by indentures</u>	<u>1968 maturities included in current liabilities</u>	<u>Non-current maturities</u>
First Mortgage 2¾% Sinking Fund Bonds, Series F, due July 1, 1971	\$50,000,000	\$ —	\$ 12,000,000
First Mortgage 3% Sinking Fund Bonds, Series G, due July 1, 1971 ..	12,000,000	240,000	8,046,000
Notes Payable—Banks	60,000,000	—	60,000,000
Equipment lease obligations	—	2,634,911	6,848,193
		<u>2,874,911</u>	<u>86,894,193</u>
 <u>Subordinated Long Term Debt</u>			
4½% Convertible Subordinated Debentures, due September 1, 1983	32,648,300	—	32,648,300
5% Cumulative Income Subordinated Debentures, due November 1, 1984	60,000,000	2,195,120	48,814,400
		<u>2,195,120</u>	<u>81,460,000</u>
		<u>\$5,070,031</u>	<u>\$168,354,193</u>

Long term debt sinking fund requirements under the first mortgage bonds amount to \$4,240,000 for each of the fiscal years 1969 and 1970 and \$11,566,000 upon maturity in 1971. The amounts of equipment lease obligations payable for these years are not presently determinable. Subordinated long term debt sinking fund requirements amount to a maximum of \$2,195,120 for each of the fiscal years 1969 through 1971 and \$3,845,120 for 1972.

Notes payable—banks are borrowings made under a \$60,000,000 revolving bank credit agreement. Interest is payable on unpaid balances to April 1, 1969, at the prime rate applicable to commercial bank loans. On that date the Company may elect to convert any portion of the total into 5% term notes, payable in eight equal semi-annual installments to April 1, 1973. Future maturities under this agreement are not presently determinable.

The 4½% Convertible Subordinated Debentures are convertible into shares of the Company's Common Stock prior to September 1, 1983, at a current conversion price of \$51.14 principal amount of debentures for each share of stock, with anti-dilution provisions.

"NOTE 6—INVESTMENT CREDIT:

The provision for Federal income taxes for the 1967 fiscal year has been reduced by \$1,518,100 as a result of the investment credit provisions of the Revenue Acts of 1962 and 1964, of which \$1,358,100 is attributable to qualified 1967 additions and \$160,000 to amortization of the 1962 investment credit.

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS—(Continued)

"NOTE 7—RESERVES AND EXTRAORDINARY ITEMS:

The Company provides for deferred Federal income taxes on the accumulated difference between depreciation and certain lease expenses recorded for financial reporting purposes and relative amounts claimed as deductions for Federal income tax purposes. During the 1967 fiscal year, the reserve for deferred Federal income taxes changed as follows:

Balance, October 29, 1966	\$26,533,000
Provision for 1967, charged against earnings	3,141,000
Balance, October 28, 1967	<u>\$29,674,000</u>

Subsequent to the end of the 1966 fiscal year, the Company undertook a modernization program that will encompass the replacement or relocation of some of its food and fertilizer facilities. The extraordinary item charge of \$24,000,000, after anticipated Federal income tax reduction of \$15,000,000, in the consolidated statement of earnings for 1966 gives accounting recognition to losses on disposition of facilities and separation pay anticipated in connection with this program. The provision for anticipated charges is reflected as a reserve in the consolidated statement of financial position. Charges to the reserve account during the 1967 fiscal year amounted to \$3,414,611 for losses on disposition of facilities and \$2,221,060 for separation payments and other closing costs, after Federal income tax reductions of \$2,437,300. The tax reduction of \$2,437,300 decreased the Company's estimated Federal income tax liability for the 1967 fiscal year by such amount.

During the 1966 fiscal year the Company sold its food oil refineries in Kankakee, Illinois, Chattanooga, Tennessee and Fort Worth, Texas. The gain on the sale of these facilities less employment separation payments, amounting to \$1,533,720 after Federal income tax provision of \$1,711,000, was credited as an extraordinary item. The tax provision of \$1,711,000 increased the Company's estimated Federal income tax liability for the 1966 fiscal year by such amount.

The Company follows the reserve method of providing for doubtful receivables for Armour Agricultural Chemical Company, Armour Leather Company and BLH. In its other operations the Company writes off doubtful accounts when deemed uncollectible.

"NOTE 8—CAPITAL STOCK:

At October 28, 1967, there were 638,357 and 241,418 authorized but unissued shares of Common Stock reserved for issuance, respectively, upon conversion of the Company's 4½% Convertible Subordinated Debentures and pursuant to stock options granted or authorized to be granted to certain officers and employees of the Company. Also at October 28, 1967, there were 28,873 shares of Common Stock held in the Company's treasury available for delivery upon exercise of stock options granted to certain officers and employees of the Company.

There were no changes during the 1967 fiscal year in Preferred Stock issued. During the year shares of Common Stock issued increased as follows:

	<u>Number of shares</u>
Issued October 29, 1966	7,562,899(a)
Exercise of employee stock options	9,466
Scrip certificates expired	(1)
Issued, October 28, 1967	<u>7,572,364(a)</u>

(a) Includes 28,876 and 23,875 shares held in the Treasury at October 29, 1966 and October 28, 1967, respectively.

In 1960 the Company's stockholders authorized the issuance of 350,000 shares of \$100 par value Series Preferred Stock, none of which has been issued.

"NOTE 9—STOCK OPTIONS AND TREASURY STOCK:

Stock options have been granted to certain officers and employees to purchase shares of Company Common Stock for periods of five or ten years from the dates of grant. Option prices are equal to 100% or 95% of market value at these dates.

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS" —(Continued)

Options granted between December 7, 1961, and December 5, 1963, provide that shares may be purchased on an installment basis. All options contain adjustment provisions for mergers and recapitalizations, and those granted on and after December 7, 1961, also contain anti-dilution provisions for stock dividends. Where applicable, the following tabulations of shares under option and of shares with respect to which options became exercisable give effect to a 10% stock dividend paid February 1, 1965.

The number of shares under option at October 28, 1967, and the option price and fair market value per share and in total at the dates the options were granted are summarized as follows:

Fiscal year granted	Number of shares	Option price		Fair market value	
		Average per share	Total	Average per share	Total
1959	990	\$22.49	\$ 22,266	\$23.67	\$ 23,438
1962	67,458	39.75	2,681,742	41.85	2,822,887
1963	23,520	37.32	877,662	39.28	923,855
1964	23,540	41.86	985,320	42.43	998,881
1965(1)	36,100	29.17	1,052,857	37.52	1,354,370
1966	19,600	44.83	878,700	44.83	878,700
1967	500	29.25	14,625	29.25	14,625
	<u>171,708</u>		<u>\$6,513,172</u>		<u>\$7,016,756</u>

- (1) Includes 31,200 shares, at an average option price of \$27.21, granted at the date of merger of BLH into the Company in substitution for BLH options then outstanding. The fair market value of the Company's Common Stock at the merger date was \$36.875 per share.

Options for 120,703 shares were exercisable at October 28, 1967. The remaining options become exercisable in installments up to 1973, except for 990 shares which became exercisable upon attainment of specified incentive conditions.

The number of shares with respect to which options became exercisable during the three fiscal years ended October 28, 1967, and the option price and fair market value per share and in total on the dates the options became exercisable are summarized as follows:

Fiscal year exercisable	Number of shares	Option price		Fair market value	
		Average per share	Total	Average per share	Total
1965	55,126	\$34.09	\$1,879,043	\$42.34	\$2,334,294
1966	41,727	39.42	1,645,041	40.45	1,687,947
1967	20,774	36.17	751,328	34.04	707,216
	<u>117,627</u>		<u>\$4,275,412</u>		<u>\$4,729,457</u>

The number of shares with respect to which options were exercised during the three fiscal years ended October 28, 1967, and the option price and fair market value per share and in total on the dates the options were exercised are summarized as follows:

Fiscal year exercised	Number of shares	Option price		Fair market value	
		Average per share	Total	Average per share	Total
1965	27,550	\$29.26	\$ 806,237	\$51.76	\$1,425,896
1966	10,279	29.72	305,511	43.11	443,083
1967	9,466	27.49	260,214	35.16	332,797
	<u>47,295</u>		<u>\$1,371,962</u>		<u>\$2,201,776</u>

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS—(Continued)"

At October 28, 1967, the Company held in its treasury 28,873 shares of its Common Stock available for delivery upon exercise of certain options. These shares are included in investments at the lower of cost or option prices, aggregating \$750,723. Additional shares needed as a result of the exercise of options granted or authorized to be granted will be provided from 241,418 shares of unissued stock reserved for that purpose at October 28, 1967. At October 28, 1967, there were 83,185 remaining shares authorized for optioning under the Company's stock option plan. The excess of cost over option price of the shares acquired has been charged to earnings.

For further information as to stock options reference is made to the text of the Prospectus.

"NOTE 10—APPROPRIATED EARNINGS EMPLOYED IN THE BUSINESS:

At October 28, 1967, earnings employed in the business includes appropriations aggregating \$763,389 which had changed as follows during the three fiscal years ended on that date, all in accordance with the provisions of the applicable debt indentures.

	Appropriation for	
	Payment of interest and sinking fund on 3½% subordinated debentures	Retirement of 9% subordinated debentures
Balance, October 31, 1964	\$4,739,280	\$766,340
Fiscal year:		
1965	(379,470)	782
1966	(4,359,810)	(7,925)
1967	—	4,192
Balance, October 28, 1967	\$ —	\$763,389

"NOTE 11—PLANT AND EQUIPMENT AND DEPRECIATION:

Changes in plant and equipment during the 1967 fiscal year were as follows:

	Balance October 29, 1966	Additions and renewals, at cost	Retirements or sales	Balance October 28, 1967
Land	\$ 23,714,709	\$ 1,485,602	\$ (985,717)	\$ 24,214,594
Buildings	119,135,325	5,935,336	(4,385,069)	120,685,592
Machinery and fixed equipment	235,611,608	21,148,992	(12,952,119)	243,808,481
Construction in progress	6,397,653	987,588	—	7,385,241
	384,859,295	29,557,518	(18,322,905)	396,093,908
Automotive and other movable equipment, less accumulated depreciation	17,377,208	7,738,458	{ (2,564,098) (4,032,594) (1) }	18,518,974
	\$402,236,503	\$ 37,295,976	\$ (24,919,597)	\$414,612,882

"(1) Depreciation credited directly to asset accounts.

"Changes in accumulated depreciation for buildings, machinery and fixed equipment during the 1967 fiscal year were as follows:

	Buildings	Machinery and fixed equipment	Total
Balance, October 29, 1966	\$ 67,899,011	\$128,464,417	\$196,363,428
Provision for depreciation, charged to earnings	4,512,126	13,984,909	18,497,035
Retirements, renewals, etc.	(2,267,241)	(8,990,187)	(11,257,428)
Balance, October 28, 1967	\$ 70,143,896	\$133,459,139	\$203,603,035

"For financial reporting purposes the Company computes depreciation charges generally on the individual item straight-line method using rates which it is anticipated will amortize the cost of such properties over their useful lives. However, a subsidiary provides depreciation on the composite method by use of the sum-of-the-years digits method

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS—(Continued)"

for eligible depreciable property acquired after January 1, 1954, and by the straight-line method for all other depreciable property, principally computed by reference to remaining lives for the several groups. The ranges of depreciation rates per year generally are:

Buildings	2% to 5%
Machinery and fixed equipment	4½% to 20%
Automotive and other movable equipment	4½% to 25%

Depreciation charges for Federal income tax purposes are computed under both straight-line and accelerated methods using Treasury Department guideline lives for most assets.

The policy of the Company is to capitalize the cost of all additions, improvements and major renewals which substantially extend the useful life of the particular asset and to charge repairs and maintenance to operations. The gross carrying value of renewed assets and the related accumulated depreciation are eliminated from the accounts and any resulting profit or loss is reflected in operations. Generally, the gross carrying value and the related accumulated depreciation of properties sold or otherwise disposed of are eliminated from the property accounts. Profits or losses on such sales or other dispositions incurred in the normal course of business are reflected in operations. However, in the case of a subsidiary, gain or loss on retirements is generally recognized only on fully-depreciated items or on abnormal retirements; on normal retirements, the cost of the asset, net of salvage, is charged to the reserve for depreciation. Profits or losses incurred on dispositions of properties in connection with the Company's modernization program are credited or charged to the "Reserve for anticipated costs related to replacement or relocation of facilities" (see Note 7).

"NOTE 12—COMMITMENTS AND LONG TERM LEASES:

In 1965 the Company acquired a 50% interest in Shellstar Limited, a United Kingdom company that conducts agricultural chemical operations. The Company has a commitment to invest an additional \$4,000,000 in Shellstar and to guarantee up to \$27,000,000 in borrowings of Shellstar in connection with an expansion program scheduled to be completed in 1969. At October 27, 1967, borrowings guaranteed by the Company were \$12,000,000.

Rent expense for real property under long term leases for 1967 amounted to approximately \$4,140,000 and under existing leases will approximate that amount for the next five years. These leases extend for varying periods up to twenty-nine years, with the Company obligated under most leases to pay for insurance, maintenance and other costs of operating the properties.

The Company holds automotive and other equipment under leases having relatively short terms. Additions under these leases have been capitalized (beginning in 1966), with the lease obligations reflected as liabilities in the consolidated statement of financial position.

"NOTE 13—SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

Depreciation is shown separately in the consolidated statement of earnings. There were no management or service contract fees or significant amounts of royalties paid during the three fiscal years ended October 28, 1967. Other supplementary profit and loss information is as follows:

	Fiscal years ended		
	October 28, 1967	October 29, 1966	October 30, 1965
Maintenance and repairs (Note 11)	\$38,769,033	\$38,357,179	\$32,620,447
Taxes (other than Federal income taxes):			
Payroll	\$13,734,320	\$12,865,154	\$ 8,992,653
Real estate and personal property	5,230,583	5,069,560	4,522,960
Other	3,358,795	3,712,815	2,884,505
	\$22,323,698	\$21,647,529	\$16,400,118
Rents	\$13,608,777	\$13,710,089	\$13,764,040

These expenses are charged directly to profit and loss, but none are charged to cost of materials in the consolidated statement of earnings.

ARMOUR AND COMPANY

"NOTES TO FINANCIAL STATEMENTS—(Continued)

"NOTE 6—EMPLOYEES' PENSION AND RETIREMENT PLANS:

The Company's Salaried Employees' Pension Plan, originally established in 1911, provides for the payment of pensions to salaried employees (not including members of the Board or Executive Committee, as such) who make regular contributions to a trust fund maintained for their benefit. The Company from time to time makes contributions to the Plan, in such amounts and at such times as may be determined by the Board of Directors, but no part thereof is paid or set aside for the account or benefit of any individual person. Annual pensions are computed on the basis of 1% of the average salary paid during the 5 consecutive years of highest salary for each year of continuous service, plus, upon additional contributions from individuals whose salaries are in excess of \$10,000 a year, a supplemental pension, and under present Company practice an additional benefit, totaling 4/10 of 1% of such average salary in excess of \$10,000 a year for each year of continuous service. It is estimated by the actuaries for the Company that the unfunded past service liability under the plan as of January 1, 1967, amounts to approximately \$37,475,000 and that assets of the pension fund are in excess of vested benefits.

A noncontributory Retirement Plan, established by the Company in 1957, provides for retirement payments to salaried employees (not including members of the Board or Executive Committee, as such) who entered salaries service prior to May 1, 1961, and at the time of entry were between the ages of 40 and 55 in the case of men and 35 and 50 in the case of women, who were not then eligible to participate in the Company's Salaried Employees' Pension Plan, and who, at the time of retirement, have had ten years or more of continuous service. Annual retirement payments are computed on the basis of 7/10 of 1% of the average salary paid during the 10 consecutive years of highest salary for each year of continuous service. Benefits are integrated with those of the Salaried Employees' Pension Plan for those employees who are eligible to receive benefits under both plans, so that such employees do not receive benefits under both plans for the same years of service. No fund is established by the Plan and the retirement payments provided are paid by the Company only as they may accrue. Payments under the Plan aggregated approximately \$300,300 in 1967, \$284,400 in 1966 and \$271,600 in 1965.

A noncontributory pension plan was established in 1952 under contracts with the United Packinghouse, Food and Allied Workers AFL-CIO and the Amalgamated Meat Cutters and Butcher Workmen of North America AFL-CIO. The plan covers the employees who are members of these two unions, certain other groups of employees under union contracts, and certain other employees who are not members of any bargaining unit and are not eligible to participate in the pension plan for salaried employees. The Company is required, until expiration of the most recent contracts with the above two unions on August 31, 1970, to pay to the Pension Fund, established pursuant thereto, annually in any year when such payments qualify as deductions under the Internal Revenue Code, a contribution equal to the sum of (1) current service costs and (2) an amount sufficient to fund the past service costs in equal annual amounts, in full, by September, 1997. It is estimated that the unfunded past service liability under the plan as of January 1, 1967, amounts to approximately \$47,300,000, and that vested benefits, computed on the basis of revisions in benefit levels first effective January 1, 1968, exceeded pension assets by approximately \$57,000,000.

In addition to the above, a subsidiary of the Company has noncontributory pension plans in effect covering substantially all its hourly-paid employees which were negotiated with the Unions representing the respective groups of employees. This subsidiary also has a contributory pension plan covering its salaried employees. It is estimated that the unfunded past service liabilities of these pension plans as of December 31, 1966, amounts to approximately \$30,656,000 and that the excess of vested benefits over pension fund assets was approximately \$17,000,000."

Recent Armour Financial Information

The foregoing financial statements of Armour may be misleading without adequate disclosure of significant events occurring subsequent to the date of Armour's May 3, 1968 Registration Statement. The following, according to public announcements made by Armour, are certain events which have occurred subsequent to May 3, 1968:

In its interim report to stockholders, dated June 7, 1968, Armour released the following unaudited financial data:

"ARMOUR AND COMPANY

"CONSOLIDATED FINANCIAL REPORT
(In thousands of dollars)

	"Twenty-six Weeks Ended	
	April 27, 1968	April 29, 1967
"Sales, including service revenues	\$1,020,619	\$1,058,479
Earnings before Federal income taxes	20,949	21,281
Provision for Federal income taxes	8,799	8,619
Earnings before extraordinary item	12,150	12,662
Per share of common stock*	\$1.44	\$1.51
Provision for estimated extraordinary loss on sale of agricultural chemical business, less reserve of \$8,600 established in prior years for these facilities and less applicable Federal income tax of \$12,000	(13,000)	—
Per share of common stock	\$(1.72)	—
Net earnings (loss)	(850)	12,662
Per share of common stock*	\$(0.28)	\$1.51
Average common shares issued	7,574	7,566
Pro forma per share earnings of common stock* assuming exercise of stock options and conversion of 4½% convertible debentures (\$51.14 of debentures per share)		
Earnings before extraordinary item	\$1.36	\$1.42
Extraordinary loss	(1.55)	—
Net earnings (loss)	(.19)	1.42

No recognition has been given to a possible increase in Federal income tax rates.

* After recognition of dividends on \$4.75 Preferred stock amounting to \$1,250,000."

On August 1, 1968 Armour offered to purchase its Common Stock at \$50.00 per share. On August 13, 1968 it announced that it would purchase 1,500,000 of its Common Stock at \$50.00 per share pursuant to said offer. In Armour's August 1, 1968 Offer to Purchase Common Stock of Armour and Company at \$50.00 per Share the following appeared:

"On July 1, 1968, [Armour] completed the sale of its domestic agricultural chemical business. The proceeds from the disposition of this business, after certain post-closing adjustments and collection of retained receivables, are expected to total approximately \$130,000,000. It is anticipated that this disposition will result in an extraordinary charge of approximately \$13,000,000 in [Armour's] fiscal 1968 accounts. This charge is in addition to reserves established in prior years and is net of the federal income tax reduction in the current year arising out of the loss on the sale of the business.

"On the date hereof, [Armour] is distributing to its stockholders rights to purchase 18.4% of the Common Stock of Armour-Dial, which prior hereto has been a wholly-owned subsidiary of [Armour]. Proceeds from this sale will go to Armour-Dial and will be used as set forth in Armour-Dial's Prospectus dated today which contains information about this important part of [Armour's] business and about certain transactions between [Armour] and Armour-Dial.

"In order to illustrate the effect of the foregoing transactions on the consolidated net earnings of [Armour], and without attempting to take into account factors other than those set forth or to project the actual earnings for the current fiscal year, there is set forth below consolidated net earnings attributable to [Armour's] Common Stock on a pro-forma basis for the 26 week period ended April 27, 1968 and for the fiscal year ended October 28, 1967. These pro-forma consolidated net earnings assume that all the following transactions had been consummated at the beginning of the 1967 fiscal year and that:

(1) The proceeds from the disposition of the agricultural chemical business were approximately	\$130,000,000
(2) The proceeds to Armour-Dial from the sale of 18.4% of its common stock were approximately	32,500,000
	<u>162,500,000</u>
(3) [Armour] purchased 1,500,000 shares of its Common Stock as set forth in this Offer at a cost of approximately	75,000,000
"Funds remaining which it is assumed were used to reduce outstanding debt and/or were invested in short-term securities at assumed average interest rates of 5¼% for the fiscal year 1967 and 5¼% for the twenty-six weeks ended April 27, 1968 were	\$ 87,500,000
(4) The net earnings of Armour-Dial attributed to the common stock of that company held by the public (18.4%) excluded from net earnings:	
in the twenty-six weeks ended April 27, 1968 were	\$ 795,000
in the fiscal year ended October 28, 1967 were	2,217,000
	<u>\$ 3,012,000</u>

	Twenty-six Weeks ended April 27, 1968		Fiscal Year ended October 28, 1967	
	Amount	Per Share	Amount	Per Share
(000's omitted except for per share amounts)				
"As PREVIOUSLY REPORTED, AND ADJUSTED FOR NEWLY ENACTED FEDERAL INCOME TAX SURCHARGE				
Earnings before extraordinary item	\$12,150	\$1.44	\$22,265	\$2.61
Provision for newly enacted federal income tax surcharge	(775)	(.10)	—	—
Earnings before extraordinary item, as adjusted	11,375	1.34	22,265	2.61
Provision for extraordinary loss on sale of agricultural chemical business less reserve of \$8,600,000 established in prior years for those facilities and less estimated federal income tax of \$12,000,000	(13,000)	(1.72)	—	—
Net earnings (loss) as previously reported, and adjusted for newly enacted federal income tax surcharge	\$(1,625)	\$(.38)	\$22,265	\$2.61
* * *				
Supplementary per share data assuming the exercise of stock options and conversion of 4½% Convertible Subordinated De- bentures (\$51.14 of debenture per share)				
Earnings before extraordinary item, as adjusted		\$1.26		\$2.48
Extraordinary loss		(1.55)		—
Net earnings (loss)		(.29)		2.48
"As PREVIOUSLY REPORTED, AND ADJUSTED ON A PRO FORMA BASIS FOR TRANSACTIONS DESCRIBED ON PRECEDING PAGE				
Earnings before extraordinary item, as adjusted, as above	\$11,375		\$22,265	
Pro-forma adjustments:				
(a) Net income of agricultural chemical business (before re- duction for administrative expense and interest allocated to it by the Company)	(758)		(2,686)	
(b) Reduction in interest expense and/or increase in interest income from use of \$87,500,000 funds remaining at as- sumed interest rates of 5¼% in 1968 and 5¼% in 1967, less federal income tax	1,179		2,389	
(c) 18.4% of net income of Armour-Dial	(795)		(2,217)	
Pro-forma earnings before extraordinary item	11,001	1.61	19,751	2.84
Provision for extraordinary loss, as above	(13,000)	(2.14)	—	—
Pro-forma net earnings (loss)	\$(1,999)	\$(.53)	\$19,751	\$2.84
* * *				
Supplementary per share data assuming the exercise of stock options and conversion of 4½% Convertible Subordinated Debentures (\$51.14 of debenture per share)				
Pro-forma earnings before extraordinary item		\$1.48		\$2.65
Extraordinary loss		(1.88)		—
Pro-forma net earnings (loss)		(.40)		2.65

"Per share data computed after dividend requirements on Preferred Stock. Results of operations for the 26 weeks ended April 27, 1968 may not be indicative of results for the year ending November 2, 1968."

"Without giving effect to any of the foregoing assumptions, on April 27, 1968 the book value per share of Common Stock was \$37.67. The pro forma book value per share of the [Armour's] Common Stock, after giving effect to the above assumptions, was \$37.75 at April 27, 1968. Assuming the exercise of stock options and conversion of 4½% Convertible Subordinated Debentures, the pro forma book value per share at that date was \$38.97."

The following report of Armour's 1968 fiscal year-end results appeared in "The Wall Street Journal" on December 2, 1968:

<u>"ARMOUR & Co. Year Nov 2:</u>	<u>1968</u>	<u>1967</u>
aShr ern	\$3.15	\$2.61
Sales	2,096,400,000	2,156,724,000
Nt fr ops	25,244,000	22,265,000
Spc chg	b13,215,000	
Net inco	c12,029,000	22,265,000
Avg shrs	7,225,000	7,568,000
a—Based on net income from operations. b—From sale of fertilizer assets. c—Equal to \$1.32 a share."		

The following report of Armour-Dial's 1968 fiscal year-end results appeared in "The Wall Street Journal" on December 5, 1968:

<u>"ARMOUR-DIAL INC. Year Nov 2:</u>	<u>a1968</u>	<u>1967</u>
Shr earns	\$1.03	\$1.17
Sales	199,132,000	182,804,000
Net income	10,669,000	12,047,000
a—Pro-Forma."		

It was further reported in the press on December 5, 1968 that Armour-Dial had declared an initial dividend of 5¢ a share on its common stock and had announced an intention to pay quarterly dividends of unspecified amounts.

**GENERAL HOST
CORPORATION**
EXCHANGE OFFER TO
STOCKHOLDERS OF
ARMOUR AND COMPANY

Until February , 1969 (40 days after the date of this Prospectus), all dealers effecting transactions in the registered securities to which this Prospectus relates, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

This Prospectus does not contain all of the information set forth in the Registration Statement including this Prospectus (the "Registration Statement") on file with the Securities and Exchange Commission. For further information, reference is made to the Registration Statement, including the financial statements, schedules, and exhibits filed therewith.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 22. Marketing Arrangements.

Reference is made to Section 3 of the Agreement with Dealer Managers which is filed as Exhibit 1.1, and to Sections 3 and 4 of the Agreement with Soliciting Dealers which is filed as Exhibit 1.2.

Item 23. Other Expenses of Issuance and Distribution.

The estimated expenses in connection with the offering are as follows:

	To be paid by Registrant
Registration Fee	\$145,404
Printing and Engraving	
Legal Fees and Expenses (including Blue Sky fees)	
Accounting Fees and Expenses	
Miscellaneous	
Total	\$

Item 24. Relationship with Registrant of Experts Named in Registration Statement.

None. For the relationship of counsel to the Registrant, reference is made to "Management" in the Prospectus.

Item 25. Sales to Special Parties.

Reference is made to "Stock Options" and to Note 6 of the Notes to the Financial Statements in the Prospectus. Since June 28, 1968, the Registrant has sold shares of its Common Stock to the following individuals upon exercise of stock options pursuant to its 1964 Stock Option Plan and its Restricted Stock Option Plan:

Date	Purchaser	No. of Shares	Price Per Share
June 28, 1968	H. J. Simon	500	13.75
September 27, 1968	T. E. Van de Kamp	2,000	16.75
November 4, 1968	Allen Pritchard	500	16.75
November 7, 1968	J. Scott	200	13.75
December 3, 1968	William Graulich, III	1,000	32.875
December 5, 1968	O. L. Clouser	100	16.75
December 5, 1968	H. J. Simon	1,500	13.75
December 5, 1968	H. J. Simon	2,500	16.75

Item 26. The Following Sales of Unregistered Securities Have Been Made by the Registrant Since December 23, 1965.

(a) On February 9, 1966, the Registrant sold 7,000 shares of its Common Stock, par value \$5 per share, to Burt Kleiner for \$98,000. These shares were deemed to be exempt from Registration under the Securities Act of 1933, as amended (the "Act") because their issuance did not involve any public offering within the meaning of Section 4(2) of the Act.

(b) On March 11, 1967, the Registrant issued its note bearing interest at the annual rate of 5½% in the principal amount of \$300,000 (Exhibit 4.8) to Southern Bakeries Company, pursuant to an Agreement of Purchase and Sale of certain real property, leasehold interests and bakery equipment and routes. This note was deemed to be exempt from registration under the Act, because its issuance did not involve any public offering within the meaning of Section 4(2) of the Act.

(c) On July 14, 1967, December 27, 1967, and August 6, 1968, the Registrant issued its notes bearing interest at the rate of 1% in excess of the prime rate in the respective amounts of \$2,500,000, \$1,500,000 and \$1,000,000 to Union Bank pursuant to a Loan Agreement (Exhibit 4.9). These notes were deemed to be exempt from registration under the Act, because their issuance did not involve any public offering within the meaning of Section 4(2) of the Act.

(d) On August 6 and 16, 1968, the Registrant issued its 18-month notes, bearing interest at the rate of 1% in excess of the prime rate, in the respective amounts of \$1,700,000 and \$4,200,000 to Union

Bank pursuant to a Loan Agreement. These amounts were repaid and the notes cancelled on August 20, 1968. These notes were deemed to be exempt from registration under the Act because their issuance did not involve any public offering within the meaning of Section 4(2) of the Act.

(e) On August 16, 1968, the Registrant issued its Ten-Year Warrant to Gulf & Western Industries, Inc. (Exhibit 5.3) for the purchase of 175,000 shares of Registrant's Common Stock at a price of \$30 per share (currently, pursuant to certain antidilution provisions in the Warrant, 184,405 shares at a price of \$28.47 per share) in connection with Registrant's acquisition of certain shares of Armour and Company owned by Gulf & Western Industries, Inc. This Warrant was deemed to be exempt from registration under the Act because its issuance did not involve any public offering within the meaning of Section 4(2) of the Act.

(f) On August 20, 1968, Registrant issued its 18-month note, bearing interest at the rate of 1% in excess of the prime rate, in the amount of \$5,900,000 to Franklin National Bank pursuant to a Loan Agreement. This amount was repaid and the note cancelled on October 16, 1968. This note was deemed to be exempt from registration under the Act because its issuance did not involve any public offering within the meaning of Section 4(2) of the Act.

(g) On October 15 and October 29, 1968, Registrant issued \$47,400,000 aggregate principal amount of its 5% Convertible Subordinated Notes due June 15, 1988 pursuant to a certain 5% Convertible Subordinate Note Agreement dated as of August 2, 1968 (Exhibit 4.11). The Notes were deemed to be exempt from registration under the Act because their issuance did not involve any public offering within the meaning of Section 4(2) of the Act.

(h) On November 1, 1968, Registrant issued its five-year notes bearing interest at the rate of 1% in excess of the prime rate in the amounts of \$4,000,000, \$6,000,000 and \$10,000,000 to Union Bank, Bank of the Commonwealth and Franklin National Bank, respectively, pursuant to a Loan Agreement (Exhibit 4.12). An aggregate of \$14,000,000 was borrowed pro rata pursuant to these notes, and that amount is presently outstanding. These notes were deemed to be exempt from registration under the Act because their issuance did not involve any public offering within the meaning of Section 4(2) of the Act.

Item 27. *Subsidiaries of Registrant.*

All subsidiaries of the Registrant are 100% owned and are included in the consolidated financial statements. Reference is made to the Registrant's annual report on Form 10-K for the year ended December 31, 1967 for a list of significant subsidiaries.

Item 28. *Franchises and Concessions.*

Reference is made to the concession contracts with the U. S. Government pursuant to which the Registrant through wholly-owned subsidiaries operates in Yellowstone National Park and Everglades National Park, which are filed as Exhibits 13.1 and 13.2 to the Registration Statement. Pursuant to these contracts, Yellowstone Park Company has a preferential right within Yellowstone National Park to provide lodging accommodations, food and beverage service facilities, boating facilities, transportation facilities, automobile service stations, campers' service facilities and any and all services and merchandising which are customary in connection with such operations. Another concessioner in the Park does operate food service facilities at certain locations and also has an interest in the service station joint venture. Everglades Park Co., Inc. operates similar facilities in the Everglades National Park under a contract with the U. S. Government.

Item 29. *Indemnification of Directors and Officers.*

The New York Business Corporation Law (Sections 721 through 725) contains exclusive self-effectuating provisions with respect to indemnification of officers and directors. In summary, these provisions are (a) that a director or officer shall be entitled to his reasonable expenses incurred as a party in the defense of an action by or in the right of the corporation unless he shall have been in breach of his duties to the corporation, and (b) that a director or officer shall be indemnified against all judgments, fines, settlements and reasonable expenses incurred as a party to an action, other than one by or in the right of the corporation, by reason of his acts on behalf of the corporation, if he reasonably believed his acts to be in the best interest of the corporation and, in the case of a criminal action, had no reasonable cause to know that his acts were unlawful.

In so far as indemnification by the Registrant for liabilities arising under the Securities Act of 1933 may be permitted to officers and directors of the Registrant pursuant to the foregoing provisions or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore,

unenforceable. In the event that a claim for indemnification against such liabilities, other than the payment by the Registrant of expenses incurred or paid by an officer or director in the successful defense of any action, suit or proceeding, is asserted by such officer or director in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Item 30. Treatment of Proceeds from Stock Being Registered.

Of the proceeds from the exercise of any of the Warrants being registered hereunder an amount equal to the par value of the shares issued upon such exercise will be credited to the Company's Capital Stock Account and any excess will be credited to its Capital Surplus Account.

Item 31. Financial Statements and Exhibits.

(a) Financial statements:

Included in the Prospectus:

Opinions of independent accountants.

Consolidated statement of income for the five fiscal years ended December 30, 1967 and the unaudited 40-week periods ended October 7, 1967 and October 5, 1968.

Consolidated balance sheet at December 30, 1967 and unaudited at October 5, 1968.

Consolidated statement of retained earnings for the three fiscal years ended December 30, 1967 and the unaudited 40-week period ended October 5, 1968.

Notes to Consolidated Financial Statements.

Included in Part II of this Registration Statement:

Schedules V, VI and XII for the unaudited 40-week period ended October 5, 1968.

Schedules V, VI and XII for the three fiscal years ended December 30, 1967 as to General Host Corporation and for the three fiscal years ended October 28, 1967 as to Li'l General Stores, Inc. are incorporated herein by reference to the annual reports on Form 10-K of the respective companies filed with the Securities and Exchange Commission for such years.

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

The individual financial statements of the Registrant have been omitted since the Registrant is primarily an operating company and the subsidiaries included in the consolidated financial statements are deemed to be totally held.

Financial statements of 50% owned companies have been omitted because considered in the aggregate as a single subsidiary they do not constitute a significant subsidiary.

(b) Exhibits:

1.1 — Form of Agreement with Dealer Managers. (To be supplied by amendment.)

1.2 — Form of Agreement with Soliciting Dealers. (To be supplied by amendment.)

2.1 — Agreement dated as of October 5, 1966, between Registrant and The Goldfield Corporation for the purchase of certain real and personal property and all the outstanding stock of Yellowstone Park Company and Everglades Park Co., Inc. Incorporated by reference to Form 8-K for the month of October, 1966 of The Goldfield Corporation (file No. 1-2618).

- 2.2 — Agreement dated August 19, 1966, between Registrant and John P. Dahl, whereby Registrant purchased 100,000 shares of Common Stock (\$.50 par value) of Uncle John's Restaurants, Inc. Incorporated by reference to Form 8-K for the month of August, 1966 of Uncle John's Restaurants, Inc. (file No. 0-2201).
- 2.3 — Option Agreement dated August 19, 1966, between Registrant and John P. Dahl, covering 211,917 shares, and options to purchase 35,000 shares of Common Stock (\$.50 par value) of Uncle John's Restaurants, Inc. Incorporated by reference to Form 8-K for the month of August, 1966 of Uncle John's Restaurants, Inc. (file No. 0-2201).
- 2.4 — Agreement dated August 19, 1966, by and between Registrant and Uncle John's Restaurants, Inc. pursuant to which Registrant purchased 300,000 shares of Common Stock (\$.50 par value) of Uncle John's Restaurants, Inc. Incorporated by reference to Form 8-K for the month of August, 1966 of Uncle John's Restaurants, Inc. (file No. 0-2201).
- 2.5 — Agreement dated March 20, 1967, by and between Registrant and John P. Dahl pursuant to which Registrant agreed to purchase 211,917 shares of Common Stock (\$.50 par value) of Uncle John's Restaurants, Inc. Incorporated by reference to the Registrant's Form 8-K for the month of March, 1967 (file No. 1-1066).
- 2.6 — Agreement and Plan of Reorganization, dated December 31, 1967, between Registrant and Union Pacific Railroad Company for the acquisition of all of the outstanding stock of Utah Parks Company. (B)
- 3.1 — Restated Certificate of Incorporation of Registrant.
- 3.2 — Form of Certificate of Amendment of Certificate of Incorporation of Registrant to be filed after Special Meeting of shareholders to be held January 20, 1969. (To be supplied by amendment.)
- 4.1 — Form of Warrant for the purchase of one share of Registrant's Common Stock.
- 4.2 — Form of Indenture covering 7% Subordinated Debentures. (To be supplied by amendment.)
- 4.3 — Loan Agreement dated as of February 28, 1958, between Registrant and several lenders covering 5¼% Notes due serially through 1978. Incorporated by reference to Form 8-K, for the month of March, 1958 of Registrant (file No. 1-1066).
- 4.4 — Second Supplemental Agreement, dated as of October 1, 1965, to Loan Agreement (Exhibit 4.3). (First Supplemental Agreement was executed but, by its terms, never became effective). (A)
- 4.5 — Third Supplemental Agreement, dated as of May 6, 1966, to Loan Agreement (Exhibit 4.3). (A)
- 4.5-1 — Fourth Supplemental Agreement dated as of August 19, 1968 to Loan Agreement (Exhibit 4.3).
- 4.5-2 — Fifth Supplemental Agreement dated as of 1969 to Loan Agreement (Exhibit 4.3). (To be supplied by amendment.)
- 4.6 — Indenture dated as of December 1, 1965, between Registrant and Chemical Bank New York Trust Company, Trustee, covering 6% Cumulative Income Subordinated Debentures, due December 1, 1990. Incorporated by reference to Form 8-K for the month of November, 1965 of Registrant (file No. 1-1066).
- 4.7 — Loan Agreement between Yellowstone Park Company and Union Bank, dated August 8, 1966. (A)

- 4.8 —Loan Agreement between Registrant and Union Bank dated July 13, 1967. Incorporated by reference to the same Exhibit Number in Registrant's Amendment No. 1 to Form S-1 Registration Statement filed August 11, 1967 (Registration No. 2-26745).
- 4.9 —Waiver by Union Bank of Section VI to Loan Agreement (Exhibit 4.8). (B)
- 4.9-1 —Amendment dated as of August 30, 1968 to Loan Agreement (Exhibit 4.8).
- 4.9-2 —Amendment dated as of January 1969 to Loan Agreement (Exhibit 4.8). (To be supplied by amendment.)
- 4.10 —Note issued by the Registrant to Southern Bakeries Company. (B)
- 4.11 —General Host Corporation, 5% Convertible Subordinate Note Agreement dated as of August 2, 1968. Incorporated by reference to General Host Corporation's Form 8-K filed for the month of October, 1968.
- 4.12 —Loan Agreement between General Host Corporation, Franklin National Bank, Union Bank and Bank of The Commonwealth dated as of November 1, 1968. Incorporated by reference to Post-Effective Amendment No. 3 to The Goldfield Corporation's Form S-1 Registration Statement No. 2-26733.
- 4.13 —Amendment dated as of January 1969 to Loan Agreement (Exhibit 4.12). (To be supplied by amendment.)
- 5.1 —Restricted Stock Option Plan of the Registrant together with specimen copy of option issued thereunder. Incorporated by reference to Registrant's Proxy Statement dated March 6, 1959, and to Form S-8, Registration No. 2-23906.
- 5.2 —1964 Stock Option Plan, as amended, of the Registrant together with specimen copy of option issued thereunder. Incorporated by reference to Registrant's Proxy Statement dated March 11, 1966 (file No. 1-1066) and to Form S-8 (file No. 2-25142).
- 5.2-1 —Amendment dated as of 1968 to 1964 Stock Option Plan (Exhibit 5.2). (To be supplied by amendment.)
- 5.3 —Ten-Year Warrant issued to Gulf & Western Industries, Inc.
6. —Opinion of Lovejoy, Wasson, Lundgren & Ashton. (To be supplied by amendment.)
7. —Not Applicable.
8. —Not Applicable.
9. —Not Applicable.
10. —Not Applicable.
- 11.1 —Agreement dated as of October 19, 1950, between Registrant and George L. Morrison. (B)
- 11.2 —Amendment to Agreement between Registrant and George L. Morrison (Exhibit 11.1) dated as of March 12, 1953. (B)
- 11.3 —Amendment to Agreement between Registrant and George L. Morrison (Exhibit 11.1) dated as of March 8, 1956. (B)
- 11.4 —Amendment to Agreement between Registrant and George L. Morrison (Exhibit 11.1) dated as of October 19, 1960. Incorporated by reference to Form 10-K for the year 1960 of Registrant (file No. 1-1066).
- 11.5 —Retirement Plan of Registrant effective July 1, 1944. (B)
- 11.6 —Amendment to Retirement Plan (Exhibit 11.5) effective April 1, 1953. (B)

- | | | |
|-------|---|--------------------------------|
| 11.7 | —Amendment to Retirement Plan of Registrant (Exhibit 11.5) effective July 1, 1966. | (A) |
| 11.8 | —Pension Plan for Spartanburg Driver-Salesmen. | (A) |
| 11.9 | —Deferred Compensation Plan between Registrant and Richard C. Pistell. | (B) |
| 11.10 | —Deferred Compensation Agreement between Yellowstone Park Company and Arthur J. Bazata. | (B) |
| 11.11 | —Description of informal bonus plans of Registrant. | (To be supplied by amendment.) |
| 11.12 | —Deferred Compensation Plan for Directors of Registrant. | |
| 12.2 | —Directors and Officers Liability Insurance (Lloyd's Policy No. 021430000). | (A) |
| 12.3 | —Excess Directors and Officers Liability Insurance (Lloyd's Policy No. 021428000). | (A) |
| 12.4 | —Excess Directors and Officers Liability Insurance (The Institute of London Underwriters Companies Combined Policy No. 021428000). | (A) |
| 12.5 | —Excess Directors and Officers Liability Insurance (The Institute of London Underwriters Companies Combined Policy No. 021428000). | (A) |
| 13.1 | —Contract No. 14-10-9-990-2 by and between United States of America and Yellowstone Park Company, executed August 8, 1966. | (A) |
| 13.2 | —Contract No. 14-10-0100-589 by and between United States of America and Everglades Park Co., Inc., executed November 16, 1955, as amended. | (A) |
| 13.3 | —Yellowstone Park Company Profit-Sharing Plan. | (B) |
| 13.4 | —Employment Agreement between Everglades Park Co. and Robert B. Knight. | (B) |
| 13.5 | —Employment Agreement between Registrant as successor to Lil' General Stores, Inc., and Edward H. Hoornstra. | (To be supplied by amendment.) |
| 13.6 | —Deferred Compensation Agreement between Registrant and Harris J. Ashton. | (To be supplied by amendment.) |

Note:

Copies of all instruments with respect to the long-term debt obligations of any of Registrant's subsidiaries, exclusive of the Loan Agreement between Yellowstone Park Company and Union Bank, which is included herein as Exhibit 4.7, will be furnished to the Securities and Exchange Commission upon request.

(A) Incorporated by reference to the same Exhibit Number in Registrant's Form S-1 Registration Statement filed April 5, 1967 (Registration No. 2-26299).

(B) Incorporated by reference to the same Exhibit Number in Registrant's Form S-1 Registration Statement filed February 20, 1968 (Registration No. 2-28264).

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned thereunto duly authorized, in the City of New York, State of New York, on the 30th day of December, 1968.

GENERAL HOST CORPORATION

By HARRIS J. ASHTON
(Harris J. Ashton, President)

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the date indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>RICHARD C. PISTELL</u> (Richard C. Pistell)	Chairman of the Board and Director (Principal Executive Officer)	December 30, 1968
<u>HARRIS J. ASHTON</u> (Harris J. Ashton)	President and Director	December 30, 1968
<u>JOHN M. KINGSLEY, JR.</u> (John M. Kingsley, Jr.)	Vice President and Treasurer (Principal Financial Officer)	December 30, 1968
<u>JOHN P. GLYNN</u> (John P. Glynn)	Controller (Principal Accounting Officer)	December 30, 1968
<u>C. WHITCOMB ALDEN, JR.*</u> (C. Whitcomb Alden, Jr.)	Director	December 30, 1968
<u>(Joseph P. Binns)</u>	Director	December , 1968
<u>WILLIAM F. DOWNEY</u> (William F. Downey)	Secretary and Director	December 30, 1968
<u>WESTON E. HAMILTON*</u> (Weston E. Hamilton)	Director	December 30, 1968
<u>(Wm. P. Howe, Jr.)</u>	Director	December , 1968
<u>J. ELROY McCaw*</u> (J. Elroy McCaw)	Director	December 30, 1968
<u>EDWIN C. McDONALD*</u> (Edwin C. McDonald)	Director	December 30, 1968
<u>(Leslie W. Scott)</u>	Director	December , 1968

*By JAMES J. MURRAY
(James J. Murray)
Attorney-in-Fact

OPINION OF INDEPENDENT ACCOUNTANTS

To the Directors and Stockholders of
General Host Corporation

The examination referred to in our opinion dated February 9, 1968, which appears in the Prospectus constituting part of this Registration Statement on Form S-1, included an examination of the supporting schedules of General Host Corporation for the three fiscal years ended December 30, 1967 and of Li'l General Stores, Inc. for the fiscal year ended October 28, 1967 listed under Item 31(a) of the Registration Statement. In our opinion, such supporting schedules present fairly the information required to be set forth therein, in conformity with generally accepted accounting principles. These principles have been consistently applied, except for the change, which we approve, in the method of computing depreciation described in Note 8 to the consolidated financial statements.

PRICE WATERHOUSE & CO.

New York, N. Y.
February 9, 1968.

(Except as to the merger referred to in Note 1
for which the date is July 19, 1968)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-1 of our opinion dated February 9, 1968 relating to the financial statements of General Host Corporation, which appears in such Prospectus, and of our opinion dated February 9, 1968 on the supporting schedules, which appears in the Registration Statement. We also consent to the reference to us under the heading "Consolidated Statement of Income" and "Experts" in such Prospectus.

PRICE WATERHOUSE & CO.

New York, N. Y.
December 30, 1968

ACCOUNTANT'S CONSENT

To the Board of Directors of
Li'l General Stores, Inc.

The examination referred to in our opinion dated December 8, 1966, which appears in the Prospectus constituting part of this Registration Statement on Form S-1, included an examination of the supporting schedules for the two years ended October 29, 1966 listed under Item 31(a) of this Registration Statement. In our opinion, such supporting schedules present fairly the information required to be set forth therein, in conformity with generally accepted accounting principles applied on a consistent basis.

BOGUE, COMPTON & VASS

Tampa, Florida
December 8, 1966

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-1 of our opinion dated December 8, 1966 relating to the consolidated financial statements of Li'l General Stores, Inc. which appears in such Prospectus, and of our opinion dated December 8, 1966 on the supporting schedules, which appears in the Registration Statement. We also consent to the reference to us under the heading "Experts" in such Prospectus.

BOGUE, COMPTON & VASS

Tampa, Florida
December 30, 1968

SCHEDULE V

GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES
PROPERTY, PLANT AND EQUIPMENT
46 Weeks Ended October 5, 1968

Classification	Balance Beginning of Year		Additions, net of Depreciation	Retirements or Sales	Transfers Between Classifi- cations	Balance at October 5, 1968 (Unaudited)
	General Host Corporation	Lt'l General Stores Inc.	Total			
Land	\$ 2,975,466	\$ 466,259	\$ 3,441,725	\$ 251,382	\$ —	\$ 3,215,987
Buildings	30,873,764	269,891	31,143,655	155,860	(66,862)	31,061,814
Machinery and Equipment	39,978,396	5,214,564	45,192,960	751,854	337,892	46,035,698
Automobiles and Trucks	11,013,857	—	11,013,857	733,872	31,992	10,473,524
Construction in Progress	808,287	—	808,287	—	(303,022)	3,607,714
Leasehold Improvements	1,775,666	985,423	2,761,089	4,557	—	3,079,202
	<u>\$87,425,436</u>	<u>\$ 6,936,137</u>	<u>\$94,361,573</u>	<u>\$ 1,897,525</u>	<u>\$ —</u>	<u>\$97,473,939</u>

SCHEDULE VI

GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIESRESERVES FOR DEPRECIATION AND AMORTIZATION OF
PROPERTY, PLANT AND EQUIPMENT

40 Weeks Ended October 5, 1968

Classification	Balance Beginning of Year			Additions	Deductions	Balance at October 5, 1968 (Unaudited)
	General Host Corporation	Li'l General Stores Inc.	Total	Charged to Profit and Loss or Income	Retirements, Renewals and Replacements	
Buildings	\$15,659,179	\$ 39,520	\$15,698,699	\$ 624,799	\$ 98,318	\$16,225,180
Machinery and Equipment ..	27,325,566	2,086,985	29,412,551	1,995,634	711,366	30,696,819
Automobiles and Trucks	8,439,118	—	8,439,118	522,957	640,775	8,321,300
Leasehold Improvements	557,101	343,609	900,710	195,481	4,313	1,091,878
	<u>\$51,980,964</u>	<u>\$2,470,114</u>	<u>\$54,451,078</u>	<u>\$3,338,871</u>	<u>\$1,454,772</u>	<u>\$56,335,177</u>

SCHEDULE XII

GENERAL HOST CORPORATION
AND SUBSIDIARY COMPANIES

RESERVES

40 Weeks Ended October 5, 1968

Description	Balance at Beginning of Year	Additions	Deductions from Reserves	Balance at October 5, 1968 (Unaudited)
		Charged to Profit and Loss or Income		
Deducted from Related Asset:				
Allowance for Doubtful Accounts ..	<u>\$171,817</u>	<u>\$ 79,983</u>	<u>\$ 32,388(1)</u>	<u>\$219,412</u>
(1) Accounts written off less recoveries.				

JA1023a

DEFENDANTS' EXHIBIT NO. A-19:

EXHIBITS TO S-1 REGISTRATION STATEMENT

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

EXHIBITS

FILED WITH

FORM S-1

REGISTRATION STATEMENT

under

THE SECURITIES ACT OF 1933

General Host Corporation

(Exact name of registrant as specified in charter)

245 Park Avenue
New York, New York 10017
(Address of principal offices)

JA1025

EXHIBIT 3.1

JA1026

RESTATED CERTIFICATE OF INCORPORATION

of

GENERAL HOST CORPORATION

Under Section 807 of the Business Corporation Law

WE, THE UNDERSIGNED, Harris J. Ashton and William F. Downey, being respectively the President and the Secretary of GENERAL HOST CORPORATION hereby certify:

First: The name of the corporation is GENERAL HOST CORPORATION.

Second: The Certificate of Incorporation of the Corporation was filed by the Department of State, Albany, New York, on the 6th day of June, 1911.

Third: The text of the Certificate of Incorporation, as amended heretofore, is hereby restated without further amendment or change to read in full as follows:

"Certificate of Incorporation

of

GENERAL HOST CORPORATION

Pursuant to the Provisions of the Business Corporation Law

I. The name of the corporation is

GENERAL HOST CORPORATION

II. The purposes for which it is formed are:

To manufacture, buy, sell and otherwise deal in bread, cakes, pies, biscuits, crackers, macaroni, candy, candied fruits, sugars, syrups and other sugar compounds and all other bread stuffs, sugar, food, sweetmeat and bakery products; to buy, sell, import, export and deal in any and all articles which may be used in connection with, or which may be incident to such manufacture, use, purchase and sale.

To acquire, construct, equip, own and operate factories, plants, shops, warehouses, stores, selling-agencies and offices in and out of the State of New York for the manufacture, production, purchase, disposition and sale of such articles.

To acquire and conduct, maintain and operate stores, shops, plants and offices for the purchase and sale of general merchandise.

To manufacture, purchase, sell and deal in merchandise of all kinds and descriptions.

To purchase, acquire, register, hold, own, use, sell and mortgage or otherwise dispose of patents, patent rights, letters patent, property rights, devices, inventions, trade marks, trade names, processes, formulae, trade secrets, inventions, devices of all kinds whether secured under letters patent of the United States or of any foreign country or otherwise; to use, exercise, to develop, grant licenses in respect of or otherwise turn to account any such patents, patent rights, letters patent, copyrights, devices, inventions, trade marks, trade names, processes, formulae, trade secrets, inventions and devices.

To purchase, or otherwise acquire, sell, dispose of and deal in real and personal property of all kinds, except bills of exchange and in particular lands, buildings, business concessions and undertakings, mortgages, shares of stock, debentures, securities, concessions and claims and any interest in real or personal property and to carry on any business, concern or undertaking so acquired, provided such business is not of a character which can be carried on only by corporations organized under the Banking, the Insurance, the Railroad and the Transportation Corporations Law or an educational institution or corporation which may be incorporated as provided in the Education Law.

To purchase, hold and re-issue shares of its capital stock in the manner and to the extent permitted by the laws of the State of New York; to conduct and transact business in any of the States, Territories, Colonies and Dependencies of the United States and in any and all foreign countries; to have one or more offices therein and therein to hold, purchase, mortgage and convey real and personal property without limit as to amount, but always subject to local laws.

The foregoing clauses shall be construed both as objects and powers and it is hereby expressly provided that the foregoing enumeration of specific powers shall not be held to limit or restrain in any manner the powers of the corporation.

IN GENERAL to carry on any other business of the same general nature in connection with the foregoing and to have and exercise all the powers conferred by the laws of the State of New York upon corporations formed under the act hereinbefore referred to.

III. The aggregate number of shares of all classes of stock which the Corporation has authority to issue is 11,000,000 shares divided into:

- 32
- (a) 10,000,000 shares of Common Stock of the par value of \$1.00 each; and
 - (b) 1,000,000 shares of Preferred Stock of a par value of \$1.00 per share divided into such series, having such designations, relative rights, preferences, limitations, conversion and other rights, voting powers, restrictions, limitations as to dividends and qualifications as may be fixed by the Board of Directors of the Corporation.

No holder of any stock of the Corporation shall be entitled as of right to purchase or subscribe for any part of any unissued stock of the Corporation of any class to be issued by reason of any increase of the authorized stock of the Corporation, or of bonds, certificates of indebtedness, debentures or other securities convertible into or exchangeable for stock of the Corporation or to which shall appertain any warrants or other instruments that shall confer upon the holder or owner thereof the right to subscribe for, purchase or receive from the Corporation any shares of its stock; but any such unissued stock or any such additional authorized issue of new stock, or of securities convertible into or exchangeable for stock or to which such warrants or other instruments shall appertain may be issued and disposed of by the Board of Directors to such persons, firms, corporations or associations and upon such terms as the Board of Directors may in its discretion determine, without offering any thereof to the stockholders then of record or any stockholder on the same terms or on any terms.

IV. The Corporation, having begun business with a capital of \$500, will carry on business with a capital which shall be at least equal to the sum of the aggregate par value of all issued shares having par value, plus \$100 in respect to every issued share without par value, plus such amounts as, from time to time, by resolution of the Board of Directors, may be transferred thereto.

V. The city in which its principal business office is located is Borough of Manhattan, City of New York, State of New York.

VI. The duration of the Corporation shall be perpetual.

VII. The number of directors of the Corporation shall be not less than three (3) nor more than twenty-one (21).

VIII. The Secretary of State of the State of New York is designated as agent of the Corporation upon whom process against it may be served and the post office address to which the Secretary of State shall mail a copy of any process against it served upon him is General Host Corporation, 245 Park Avenue, New York, New York 10017.

IX. The said Corporation may purchase, acquire, hold and dispose of the stocks, bonds and other evidences of indebtedness of any corporation, domestic or foreign, and issue in exchange therefor its stocks, bonds, or other obligations

The directors may designate from their number an Executive Committee, which shall, for the time being in the intervals between its meetings and to the extent provided by the By-Laws, exercise the power of the Board of Directors so far as they may lawfully do so in the management of the affairs and business of the Company.

The Board of Directors shall from time to time decide whether and to what extent and at what times and under what conditions and requirements the accounts and books of the Corporation, or any of them, except the stock book, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any books or documents of the Corporation except as conferred by statute in New York or authorized by the Board of Directors.

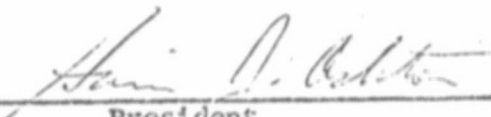
The Directors of the Corporation need not be stockholders therein.

The Company may use and apply the surplus property, earnings or accumulated profits in the absolute discretion of the directors to the creation and maintenance of a surplus fund, and to the purchase and acquisition of its own capital stock, and it may take said capital stock in payment or satisfaction of any debt due to the Company from time to time and to such extent and manner and upon such terms as the directors shall determine, and may re-issue any stock so acquired."


JA1030

Fourth: This restatement of the Certificate of Incorporation was duly authorized by resolution of the Board of Directors of General Host Corporation.

IN WITNESS WHEREOF, we have signed this Certificate this ^{6th} day of November, 1968.



President



Secretary

JA1031

STATE OF NEW YORK }
 } SS:
COUNTY OF NEW YORK }

WILLIAM F. DOWNEY, being duly sworn, deposes and says that he is Secretary of GENERAL HOST CORPORATION, the corporation mentioned and described in the foregoing instrument; that he has read and signed the same and that the statements contained therein are true.

Sworn to before me this

6th day of November, 1968

William F. Downey
William F. Downey

George L. Shelton
Notary Public

GEORGE L. SHELTON
NOTARY PUBLIC, State of New York
No. 31-3630748
Qualified in New York County
Commission Expires March 30, 1970

JA1032

EXHIBIT 4.1

JA1034

ASSIGNMENT

(To be executed by the registered holder to effect a transfer of the within Warrant)

FOR VALUE RECEIVED hereby
sell, assign, and transfer unto

.....
(Name)

.....
(Address)

the right to purchase shares of Common Stock evidenced by the within Warrant, and do hereby irrevocably constitute and appoint attorney to transfer the said right on the books of the Corporation with full power of substitution.

Dated, 19.....

.....
Signature

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within Warrant in every particular, without alteration or enlargement, or any change whatsoever and must be guaranteed by a bank or trust company having an office or correspondent in the City of New York, N. Y. or Los Angeles, California, or by a firm having membership on the New York Stock Exchange or on the American Stock Exchange.

FORM OF EXERCISE

(To be executed by the holder desiring to exercise the right to purchase Common Stock evidenced by the within Warrant)

GENERAL HOST CORPORATION

c/o Franklin National Bank, New York, N. Y.

or

Union Bank, Los Angeles, California

Warrant Agent

The undersigned hereby exercises the right to purchase shares of Common Stock evidenced by the within Warrant according to the terms and conditions thereof and herewith makes payment of the purchase price in full. Kindly issue all shares in accordance with the instructions given below.

Instructions for registration of stock:

.....
Name (Please print in block letters)

.....
Signature

.....
Street

.....
City

.....
State

NOTICE: The signature to this exercise form must correspond with the name as written upon the face of the within Warrant in every particular, without alteration or enlargement, or any change whatsoever and must be guaranteed by a bank or trust company having an office or correspondent in the City of New York, N. Y. or Los Angeles, California, or by a firm having membership on the New York Stock Exchange or on the American Stock Exchange.

JA1035

EXHIBIT 4.5-1

Exhibit 4.3.1

JA1036

GENERAL HOST CORPORATION

**Fourth Supplemental Agreement Dated as of August 19, 1968 to
5 1/4% Promissory Notes Issued Pursuant to Loan Agreement
Dated February 28, 1958**

FOURTH SUPPLEMENTAL AGREEMENT, dated as of August 19, 1968, between **GENERAL HOST CORPORATION** (formerly General Baking Company), a New York corporation (hereinafter called "the Company") and the undersigned Noteholder (hereinafter called "the Noteholder").

WHEREAS, the Noteholder is the holder of the 5 1/4% Promissory Notes of the Company in the aggregate unpaid principal amount stated opposite the Noteholder's name at the end of this Agreement, issued by the Company pursuant to a certain Loan Agreement dated as of February 28, 1958 between the Company and the Noteholder, said Notes being part of a total of \$15,000,000 aggregate principal amount of the 5 1/4% Promissory Notes of the Company due in instalments on October 15 in each of the years 1962 to 1978, inclusive, which were issued by the Company pursuant to the several Loan Agreements, each dated as of February 28, 1958, which were entered into by the Company with The Equitable Life Assurance Society of the United States, The Mutual Life Insurance Company of New York, New England Mutual Life Insurance Company, Connecticut General Life Insurance Company, Northwestern National Life Insurance Company, Teachers Insurance and Annuity Association of America, Bankers Life Company and Indianapolis Life Insurance Company, respectively, which Notes have been heretofore amended by a Second Supplemental Agreement dated as of October 1, 1965 and a Third Supplemental Agreement dated as of May 16, 1966 (the Notes as so amended, presently outstanding under the Loan Agreements, being hereinafter called the "Notes");

WHEREAS, the Company and the Noteholders desire that the Notes be amended as hereinafter set forth; and

WHEREAS, the Company represents and warrants that at the date hereof the Notes are outstanding in an aggregate unpaid principal amount of \$10,200,000;

NOW, THEREFORE, THIS FOURTH SUPPLEMENTAL AGREEMENT WITNESSETH:

THAT, in consideration of the premises, the Company agrees with the Noteholder as follows:

SECTION 1. Effective upon (i) one or more agreements substantially identical hereto having been executed and delivered before October 1, 1968 by the Company with the holders of at least 65 2/3% in aggregate principal amount of the Notes outstanding at the date hereof and (ii) the stockholders of the Company having approved the issuance of the common stock into which the 5% Convertible Subordinate Notes are convertible in accordance with the requirements of the New York Stock Exchange, the Notes are hereby amended as follows:

A. §1.2 of the Notes is hereby amended by inserting in the first sentence thereof after "respectively", the following:

"as amended by Second, Third, and Fourth Supplemental Agreements, dated as of October 1, 1965, May 16, 1966, and August 19, 1968, respectively."

and by deleting therefrom the following:

"as amended by Second Supplemental Agreements dated as of October 1, 1965, and Third Supplemental Agreements dated as of May 16, 1966."

B. §3.11 of the Notes is hereby amended to read as follows:

"§3.11. *Limitation on Dividends, Interest, Other Payments and Distributions on Stock and Debentures.*

A. Except as hereinafter in this Section expressly provided, the Company will not (i) declare any dividend on any class of its stock, (ii) directly or indirectly make any interest payment on account of any 6% Cumulative Income Subordinated Debentures or (iii) directly or indirectly make any payments on account of the purchase, redemption or other retirement of any shares of its stock or any 6% Cumulative Income Subordinated Debentures (including any sinking fund payments therefor) or any 5% Convertible Subordinate Notes, or any distribution (other than a dividend on stock) in respect of any such shares or 6% Cumulative Income Subordinated Debentures or 5% Convertible Subordinate Notes, unless

(1) any such dividend is declared to be payable not more than 90 days after the date of declaration;

(2) after giving effect, as if made, to such proposed dividend or other payment or distribution, the sum of \$2,500,000 plus (or minus in the case of a deficit) the Consolidated Net Income of the Company and its Subsidiaries computed for the period commencing December 29, 1957 to and including the date of such declaration (in the case of dividends) or of such other payment or distribution (hereinafter called '*the Computation Date*') shall be greater than the aggregate amount of (a) all such dividends declared and all such other payments and distributions made in respect of any class of stock, (b) all such payments made on account of the purchase, redemption or other retirement (including the sinking fund therefor) of 6% Cumulative Income Subordinated Debentures and (c) all such payments made on account of the purchase, redemption or other retirement of 5% Convertible Subordinate Notes during such period; and

(3) at the Computation Date, and after giving effect, as if made, to such proposed dividend or other payment or distribution, Consolidated Net Working Capital of the Company and its Subsidiaries shall be at least \$10,000,000; *provided*, however, that this Subsection A (3) shall not apply to dividends or interest on or payments on account of the purchase, redemption or other retirement of 6% Cumulative Income Subordinated Debentures (including the sinking fund therefor) or 5% Convertible Subordinate Notes.

Without regard to the foregoing restrictions of this Section, the Company may

(4) retire any shares of any class of its stock by exchange for, or out of the proceeds of the substantially concurrent sale of, other shares of its stock or 6% Cumulative Income Subordinated Debentures, or retire any 6% Cumulative Income Subordinated Debentures by exchange for, or out of the proceeds of the substantially concurrent sale of, shares of its stock, and no such retirement shall be included in any computation provided for in the foregoing Subsection A (2) of this Section;

(5) declare and pay any dividends payable solely in stock of the Company, and no such dividend shall be included in any computation provided for in the foregoing Subsection A (2) of this Section;

(6) before August 1, 1966, make interest payments aggregating not more than \$282,000 on account of 6% Cumulative Income Subordinated Debentures; and

(7) retire any 5% Convertible Subordinate Notes by exchange (upon conversion or otherwise) for, or out of the proceeds of the substantially concurrent sale of, shares of its stock, and no such retirement shall be included in any computation provided for in the foregoing *Subsection A (2)* of this Section.

For the purposes of this Section, the amount of any dividend declared or other payment or distribution made in property of the Company shall be deemed to be the net book value of such property on the Computation Date.

For the purposes of *Subsection A(3)* of this Section, Indebtedness incurred pursuant to the Revolving Credit Agreement shall not be included in determining Consolidated Net Working Capital.

B. The Company will not fix a date for the redemption of any 5% Convertible Subordinate Notes more than 60 days subsequent to the first date of publication or mailing or otherwise giving of such notice.

C. The Company will not give notice of redemption of any 5% Convertible Subordinate Notes so long as any 5% Convertible Subordinate Notes have the benefit of any privilege of conversion into shares of common stock of the Company (except in connection with redemptions which shall have been underwritten) if, on the date notice of such redemption is first given, either

(1) the market price of the common stock of the Company (determined as hereinafter provided) is less than 125% of the then effective conversion price of the 5% Convertible Subordinate Notes, and the aggregate principal amount of 5% Convertible Subordinate Notes to be redeemed plus the aggregate principal amount of 5% Convertible Subordinate Notes theretofore called for redemption and not redeemed or converted into shares of common stock of the Company is more than \$300,000, unless such redemption should be permitted within the limitations of *Subsection A* of this Section 3.11 and unless, after giving effect to the issuance of such notice of redemption, the Company would be in compliance with Section 3.14; or

(2) the market price of the common stock of the Company is 125% or more, but less than 150%, of the then effective conversion price of the 5% Convertible Subordinate Notes, and the aggregate principal amount of 5% Convertible Subordinate Notes to be redeemed plus the aggregate principal amount of 5% Convertible Subordinate Notes theretofore called for redemption and not redeemed or converted into shares of common stock of the Company is more than \$1,000,000, unless such redemption would be permitted within the limitations of *Subsection A* of this Section 3.11 and unless, after giving effect to the issuance of such notice of redemption, the Company would be in compliance with Section 3.14.

If (i) the market price of the common stock of the Company is 150% or more of the then effective conversion price of the 5% Convertible Subordinate Notes on the date notice of such redemption is first given, or (ii) the redemptions shall have been underwritten as hereinafter defined, all payments on account of such redemption of 5% Convertible Subordinate Notes may be made notwithstanding the restrictions contained in *Subsection A(2)* of this Section 3.11 but all such payments shall be taken into account in making any future calculation under *Subsection A(2)* of this Section 3.11.

For the purposes of this Subsection, the market price of the common stock of the Company on any date shall mean the average of the highest and lowest sales prices per share of such common stock on the New York Stock Exchange on the fifth business day immediately preceding such date (or, if there shall have been no sales of such common stock on the New York Stock Exchange on such fifth business day, the average of the closing bid and asked prices per share for such common stock on such Exchange on such day).

A redemption of 5% Convertible Subordinate Notes shall be deemed to have been underwritten for the purposes of this Subsection only if, prior to the giving of the notice of such

redemption, the Company shall have entered into a valid and enforceable agreement with one or more investment banking firms or institutional investors of recognized standing (which agreement shall be without conditions other than as to the truth and correctness of the representations of the Company in said agreement, the valid authorization and execution of said agreement by the Company, and the performance by the Company of its obligations thereunder) providing that such firms or investors will on or before the date fixed for redemption purchase from the Company shares of its common stock for an aggregate price (net after the deduction of all fees, discounts and commissions and after the deduction of all amounts payable by the Company to or on behalf of such firms or investors) not less than the aggregate redemption price on the date fixed for redemption (together with accrued interest to such date) of the 5% Convertible Subordinate Notes so called which have not by the date of purchase been converted into common stock of the Company."

C. § 4 of the Notes is hereby amended:

(a) By inserting immediately following the definition of "6% Cumulative Income Subordinated Debentures" a definition of "5% Convertible Subordinate Notes":

"5% Convertible Subordinate Notes' shall mean the Company's 5% Convertible Subordinate Notes due June 15, 1988, in the aggregate principal amount of not more than \$50,000,000, to bear interest on the unpaid balance from the date thereof at the rate of 5% per annum until due and payable, payable semi-annually on the 15th day of December and the 15th day of June in each year, commencing with December 15, 1968, and convertible into shares of the Company's common stock at the rate of \$27 per share of such stock, such 5% Convertible Subordinate Notes to be issued pursuant to the terms of the Note Purchase Agreements between the Company and the several purchasers of the 5% Convertible Subordinate Notes dated as of August 2, 1968."

(b) By amending the definition of "Funded Indebtedness" to read as follows:

"Funded Indebtedness of any corporation shall include, at any date, all Indebtedness of such corporation which would, in accordance with sound accounting practice, be classified as funded indebtedness, but in any event including all Indebtedness, whether secured or unsecured, of such corporation having a final maturity (or renewable or extendible at the option of such corporation for a period ending) more than one year after the date of the creation thereof, excluding any amount thereof included in Current Liabilities, and excluding all Indebtedness represented by 6% Cumulative Income Subordinated Debentures and by 5% Convertible Subordinate Notes of the Company. Any Indebtedness which is extended or renewed (other than pursuant to an option of the borrower) shall be deemed to have been created at the date of such extension or renewal."

(c) By amending Clause A to the definition of "Current Liabilities" to read as follows:

"A. all Indebtedness, whether secured or unsecured, of such corporation payable on demand or maturing not more than one year after such date and all payments (whether installment, serial maturity or sinking fund payments or otherwise) required to be made by such corporation not more than one year after such date in respect of the principal of any of its Indebtedness which has a final maturity more than one year after such date, and all Indebtedness payable on demand or maturing not more than one year after such date which is renewable or extendible at the option of such corporation for a period ending more than one year after such date; *provided however* that during the period from the giving of notice of redemption of 5% Convertible Subordinate Notes to and including the date fixed for such redemption 90% of the 5% Convertible Subordinate Notes so called for redemption shall be excluded from Current Liabilities if, on the date such notice of redemption is first given, the market price of the common stock of the Company is 125%

or more, but less than 150%, of the then effective conversion price of the 5% Convertible Subordinate Notes and all of such 5% Convertible Subordinate Notes shall be excluded from Current Liabilities if on the date notice of such redemption is first given the market price of the common stock of the Company is 150% or more of the then effective conversion price of the 5% Convertible Subordinate Notes";

(d) By amending subparagraph (2) of the definition of "Net Tangible Assets" to read as follows:

"(2) all Indebtedness and other Liabilities of such corporation other than (a) Funded Indebtedness (excluding the Eddy Bakeries Installment Obligations and the Company's guarantee thereof), (b) reserves which have been deducted pursuant to the preceding Clause (1), (c) general contingency reserves, (d) capital stock and surplus (e) Indebtedness represented by the 6% Cumulative Income Subordinated Debentures of the Company and (f) Indebtedness represented by the 5% Convertible Subordinate Notes of the Company."

D. § 5.1 of the Notes is hereby amended by changing the designations of Clauses "D" through "L", inclusive, to "E" through "M", inclusive, and inserting a new Clause "D" which shall read as follows:

"D. if the Note Purchase Agreement dated August 2, 1968, pursuant to which the 5% Convertible Subordinate Notes are or have been issued shall be supplemented or amended so as to change in any way the provisions thereof or of such Subordinate Notes with respect to the payment of principal of, premium, if any, or interest on such Notes, the subordination of such Subordinate Notes to the Notes or other Senior Indebtedness as provided in said Note Purchase Agreement, or the events constituting an event of default as defined in said Note Purchase Agreement, or if such Note Purchase Agreement or Subordinate Notes shall be supplemented or amended in any other respect which may be adverse to the interest of the holders of the Notes unless such supplement or amendment shall be assented to in writing by the holders of not less than 66⅔% in aggregate principal amount of the Notes then outstanding;"

SECTION 2. Promptly after the amendments of the Notes have become effective as hereinabove provided, the Company shall give written notice thereof to each holder of any of the Notes and shall request such holder to place on the Notes held by it the notation hereinafter set forth. Thereafter any Notes delivered by the Company in exchange or substitution for any outstanding Notes pursuant to the provisions thereof shall be in the form of the Notes as amended as set forth above.

Upon receipt by the Noteholder of said written notice from the Company, each of the Notes then outstanding held by the Noteholder shall be inscribed by the Noteholder with a typewritten notation substantially as follows:

"By Fourth Supplemental Agreements dated as of August 19, 1968, between General Host Corporation and the holders of at least 66⅔% in aggregate principal amount of the then outstanding Notes, this Note and any Notes which may be delivered in exchange or substitution therefor pursuant to the provisions thereof have been amended."

SECTION 3. This Agreement shall be governed by the laws of the State of New York.

SECTION 4. Except as amended as above set forth, the Notes are in all respects ratified and confirmed, and the terms, provisions and conditions thereof shall be and remain in full force and effect.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

GENERAL HOST CORPORATION

By _____
President

Controller

(Notcholder)

By _____

Aggregate unpaid principal amount of the Notes
held by the Notcholder on the date of this
Fourth Supplemental Agreement:

\$ _____

JA1042

EXHIBIT 4.9-1

JA1043

Exhibit 4:71

AMENDMENT

This Amendment to the Loan Agreement dated July 13, 1967 (the "Loan Agreement") by and between GENERAL HOST CORPORATION, a New York corporation, and UNION BANK, a California corporation is entered into this 30th day of August, 1968.

1. Section X of the Loan Agreement shall be amended to read in full as follows:

"Any event of default that may occur in the General Baking Company (now General Host Corporation) Loan Agreement dated as of February 28, 1958, as amended by second supplemental agreement dated as of October 1, 1965, third supplemental agreement dated as of May 16, 1966, and fourth supplemental agreement dated as of August 19, 1968, shall constitute a violation or an event of default, as the case may be, in the terms of this loan agreement. Borrower covenants that it will promptly notify Bank of any default or violation of said loan agreement or waiver of any condition therein of which Borrower may or should have knowledge."

2. All of the other terms and conditions of the Loan Agreement shall remain in full force and effect.

Executed at Los Angeles, California, on the day and

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year first above written.

UNION BANK

GENERAL HOST CORPORATION

By M. Shendell Morrison

By Henry J. Ritten

By David M. Davidson

By John M. Kirskey Jr.

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EXHIBIT 5.3

JA1046

Exhibit B

Exhibit B

Warrant

to Purchase 175,000 Shares

VOID AFTER AUGUST 5, 1978

WARRANT TO PURCHASE COMMON STOCK OF
GENERAL HOST CORPORATION

THIS CERTIFIES THAT for value received Gulf & Western Industries, Inc. or its registered assigns is entitled, subject to the terms and conditions hereinafter set forth, to purchase from General Host Corporation, a corporation incorporated under the laws of the State of New York (herein called the "Company"), One Hundred Seventy-Five Thousand (175,000) fully paid and non-assessable shares of Common Stock, \$1 par value per share, of the Company (herein called the "Common Stock"), upon presentation and surrender of this Warrant with the Subscription Form duly executed, at any time on or before August 5, 1978, at the principal office of the Company or at such other office as shall have theretofore been designated by the Company by notice pursuant hereto and upon payment therefor of the purchase price (hereafter referred to as the "Purchase Price") in lawful money of the United States of America, of \$30 per share.

In certain contingencies provided for below, the number of shares of Common Stock subject to purchase hereunder and/or the Purchase Price thereof are subject to adjustment, but the shares of Common Stock of the Company subject to purchase hereunder are the shares of such stock of the Company as they may exist on the date of the exercise of this Warrant, whether or not the rights or interests represented by such shares are equivalent to the rights

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or interests represented by the shares of Common Stock of the Company authorized at the date hereof.

This Warrant is subject to the following terms and conditions:

1. The purchase rights represented by this Warrant are exercisable at the option of the holder hereof, in whole at any time, or in part from time to time (but not as to a fractional share of Common Stock). In the case of the purchase of less than all the shares purchasable under this Warrant, the Company shall cancel this Warrant upon the surrender hereof and shall execute and deliver a new Warrant of like tenor for the balance of the shares purchasable hereunder.
2. The term "Expiration Date" shall mean the close of business on August 5, 1978, or if said Date shall in the State of New York be a holiday or a day on which banks are authorized to close, then the next following date which in the State of New York is not a holiday or a day on which banks are authorized to close.
3. Subject to the exceptions referred to below, in case the Company shall at any time or from time to time after August 6, 1968 issue any additional shares of Common Stock for a consideration per share less than

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the Purchase Price in effect immediately prior to the issuance of such additional shares, or without consideration, then, and thereafter successively upon each such issuance, the Purchase Price in effect immediately prior to the issuance of such additional shares shall forthwith be reduced to a price (calculated to the nearest full cent) determined by dividing

(a) An amount equal to (i) the total number of shares of Common Stock outstanding immediately prior to such issuance, multiplied by the Purchase Price in effect immediately prior to such issuance, plus (ii) the consideration, if any, received by the Company upon such issuance, by

(b) The total number of shares of Common Stock outstanding immediately after the issuance of such additional shares.

After each adjustment of the Purchase Price pursuant to this paragraph 3 the total number of shares of Common Stock purchasable upon the exercise of each Warrant shall be proportionately adjusted to such number of shares as the total Purchase Price of the number of shares expressed in such Warrant to be purchasable at the original Purchase Price will pay for at the adjusted Purchase Price.

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The Company shall not be required to make any adjustment of the Purchase Price if the amount of such adjustment shall be less than 10 cents, but in such case any adjustment that would otherwise be required then to be made shall be carried forward and shall be made at the time and together with the next subsequent adjustment, which, together with any adjustment so carried forward, shall amount to not less than 10 cents.

For the purposes of any adjustment as provided in this paragraph 3, the following provisions shall also be applicable:

(1) In case of the issuance of additional shares of Common Stock for cash, the consideration received by the Company therefor shall be deemed to be the net cash proceeds received by the Company for such shares after deducting any commissions or other expenses paid or incurred by the Company for any underwriting of, or otherwise in connection with, the issuance of such shares.

(2) In case of the issuance (otherwise than upon conversion of exchange of obligations or shares of stock of the Company) of additional shares of Common Stock for a consideration other than cash or a consideration a part of which shall be other

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than cash or a consideration a part of which shall be other than cash, the amount of the consideration other than cash so received by the Company shall be deemed to be the value of such consideration as determined by the Board of Directors of the Company.

(3) In case of the issuance by the Company of (A) any security that is convertible into shares of Common Stock of the Company, or (B) any rights or options to purchase shares of Common Stock of the Company (other than the Warrants and except as below stated), the Company shall be deemed to have issued the maximum number of shares of Common Stock into which such convertible security may be converted, or the maximum number of shares of Common Stock deliverable upon the exercise of such rights or options, for the consideration received by the Company for such convertible securities or for such rights or options, as the case may be, after deducting any commissions or other expenses paid or incurred by the Company for any underwriting of, or otherwise in connection with, the issuance of such convertible security or rights or options, plus (i) any consideration or adjustment payment to be received by the Company in

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connection with such conversion, or (ii) the minimum aggregate price at which shares of Common Stock of the Company are to be delivered upon the exercise of such rights or options or, if no minimum price is specified and such shares are to be delivered at an option price related to the market value of the subject shares, an aggregate option price bearing the same relation to the market value of the subject shares at the time such rights or options were granted; provided that as to such options such further adjustment as shall be necessary on the basis of the actual option price at the time of exercise shall be made at such time if the actual option price is more or less than the aforesaid assumed option price. No further adjustment of the Purchase Price shall be made as a result of the actual issuance of shares of Common Stock of the Company referred to in this clause (3). On the expiration of such rights or options, or the termination of such right to convert, the Purchase Price hereunder shall be readjusted to such Purchase Price as would have obtained had the adjustments made upon the issuance of such rights, options or convertible securities been made upon the basis of the delivery of only the number of shares of Common

Stock actually delivered upon the exercise of such rights or options or upon the conversion of any such securities.

(4) The consideration for any additional shares of Common Stock issued as a stock dividend shall be deemed to be nothing.

(5) The number of shares of stock of any class at the time outstanding shall include all shares of stock of that class then owned or held by or for the account of the Company (provided that the disposition of any shares purchased by the Company after the date hereof and so owned or held shall not be considered an issue of Common Stock pursuant to this paragraph 3) and shall include the aggregate number of shares deliverable in respect of the convertible securities, rights and options referred to in clause (3) of this paragraph 3; provided that to the extent that such options, warrants or conversion privileges are not exercised, such shares shall be deemed to be outstanding only until the expiration dates of the rights, options or conversion privileges or the prior cancellation thereof.

If at any time, or from time to time the Company shall by subdivision, consolidation or reclassification of

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shares, or otherwise change as a whole the outstanding shares of its Common Stock into a different number or class of shares, the number and class of shares as so changed shall replace the shares outstanding immediately prior to such change, and the Purchase Price and the number of shares purchasable under each Warrant shall be proportionately and correspondingly adjusted. Irrespective of any adjustments or change in the Purchase Price or the number of shares of Common Stock actually purchasable under the several Warrants, the Warrants theretofore and thereafter issued may continue to express the Purchase Price per share and the number of shares purchasable thereunder as the Purchase Price per share and the number of shares purchasable were expressed upon the Warrants when initially issued.

4. No adjustment of the Purchase Price shall be made as a result of or in connection with the issuance of shares of Common Stock pursuant to (a) "qualified" stock options granted or which may be granted under the Company's employee's stock option plan, (b) a contract dated as of December 31, 1967 between the Company and Union Pacific Railroad Company, and (c) the exercise of the Warrants.

5. Whenever the Purchase Price is adjusted as provided in paragraph 3 above, the Company will promptly obtain a certificate of a firm of independent public accountants of recognized standing selected by the Board of Directors (who may be the regular auditors of the Company) setting forth the Purchase Price as so adjusted and a brief statement of the facts accounting for such adjustment, and will mail a brief summary thereof to the registered holders of the Warrants at their last addresses as they appear on the registry books of the Company.
6. If, prior to the Expiration Date, the Company shall at any time consolidate with or merge into another corporation, the holder hereof will thereafter receive, upon the exercise hereof, the securities or property to which a holder of the number of shares of Common Stock then deliverable upon the exercise hereof would have been entitled upon such consolidation or merger, and the Company shall take such steps in connection with such consolidation or merger as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or property thereafter deliverable upon the exercise of this Warrant. A

Sale of all or substantially all the assets of the Company for a consideration (apart from the assumption of obligations) consisting primarily of securities shall be deemed a consolidation or merger for the foregoing purposes.

7. The Company shall not be required to issue certificates representing fractions of shares of Common Stock, but may at its option in respect of any final fraction of a share make a payment in cash based on the Purchase Price in effect at that time or issue scrip certificates in form approved by the Board of Directors, each representing a right to receive one share of Common Stock when presented with other like certificates representing in the aggregate the right to receive at least one share. Such scrip certificates may become void and of no effect after a reasonable period determined by the Board of Directors and specified therein.
8. The Company will reserve and keep available a sufficient number of shares of Common Stock to satisfy the requirements of all outstanding Warrants. The Company will take all such action as may be necessary to insure that all shares of capital stock issued upon exercise of the Warrants will be duly and validly authorized and issued and fully paid and non-assessable.
9. This Warrant is exchangeable, upon the surrender hereof

by the registered holder at the principal office of the Company, for new Warrants of like tenor and date representing in the aggregate the right to purchase the number of shares purchasable hereunder, each of such new Warrants to represent the right to purchase such number of shares as shall be designated by said registered holder at the time of such surrender. This Warrant and all rights hereunder are transferable in whole or in part upon the books of the Company by the registered holder hereof in person or by duly authorized attorney, upon surrender of this Warrant duly endorsed, at the principal office of the Company.

10. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of this Warrant, if mutilated, the Company will make and deliver a new Warrant of like tenor, in lieu of this Warrant.
11. Prior to the exercise of this Warrant, the holder of this Warrant shall not be entitled to any rights of a stockholder of the Company, including without

Limitation the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company except as provided herein.

12. The Company may deem and treat the registered holder hereof as the absolute owner of this Warrant (notwithstanding any notations of ownership or writing hereon may by anyone other than the Company) for all purposes and shall not be affected by any notice to the contrary.
13. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been made when delivered or mailed first-class postage prepaid or delivered to a telegraph office for transmission:
 - (i) if to the registered holder of a Warrant at the address of such holder as shown on the books of the Company; or
 - (ii) if to the Company at 215 Park Avenue, New York, New York 10017 or at such other address as may have been furnished to the holders of Warrants in writing by the Company.
14. This Warrant shall be binding upon any successors or assigns of the Company.
15. This Warrant shall be construed in accordance with

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and governed by the laws of the State of New York.

16. This Warrant shall not be transferable if transfer would be in violation of the Securities Act of 1933.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed and delivered by one of its officers thereunto duly authorized.

Dated: August , 1968

GENERAL HOST CORPORATION

By _____

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ASSIGNMENT

To be Executed by The Registered Holder if He Desires to Transfer
the Warrant

FOR VALUE RECEIVED

hereby

sells, assigns and transfers unto
the right to purchase _____ shares of
stock, evidenced by the within Warrant, and does hereby
irrevocably constitute and appoint
Attorney to transfer the said Warrant on the books of the
Company, with full power of substitution.

Signature _____

Address _____

Dated: _____, 19 ____ .

NOTICE

The signature to the foregoing Assignment must
correspond to the name as written upon the face of the within
Warrant in every particular, without alteration or enlargement
or any change whatsoever.

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SUBSCRIPTION FORM

To be Executed by the Registered Holder if He Desires to Exercise
the Warrant

GENERAL HOST CORPORATION

The undersigned hereby exercises the right to purchase
shares of stock covered by this Warrant according
to the conditons thereof and herewith makes payment of the Purchase
Price of such shares in full.

Signature _____

Address _____

Dated: , 19 .

GENERAL HOST CORPORATION

DEFERRED COMPENSATION PLAN
FOR DIRECTORS

Section 1. Participation. Each director of General Host Corporation (the "Company") who is not also an officer or employee of the Company and who is entitled to receive compensation for attendance at meetings of the Board of Directors of the Company (a "Participant") may elect to defer such compensation pursuant to this plan.

Section 2. Deferred Compensation of Participants. On or before December 1 of any calendar year or at any time prior to the effective date of this plan, each Participant may specify to the Secretary of the Company, in writing, a percentage of his compensation for services to be rendered during the following calendar year or years, or where election is prior to the effective date of this plan for services to be rendered after such effective date, to be deferred to a date specified by the Participant pursuant to Section 3 of this plan (the "Deferred Payment Date"). On or before December 1 of any calendar year any Participant may elect to reduce or terminate participation in this plan with respect to compensation for services to be rendered during the following calendar year or years.

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Section 3. Deferred Payment Date. The Deferred Payment Date with respect to any Participant shall be the fifteenth day in January of such year as he shall specify in writing to the Secretary of the Company. A Participant may extend his Deferred Payment Date to the January fifteenth of a later year at any time, provided that written notice of such extension shall be given to the Secretary of the Company at least 30 days preceding such earlier specified Deferred Payment Date.

Section 4. Deferred Accounts. The Company shall maintain on its books, with respect to each Participant, a Deferred Compensation Account. At the end of each fiscal quarter of the Company, the Company shall allocate to each Deferred Compensation Account the elected percentage of the compensation of the Participant for the preceding quarter. The number of whole shares of Common Stock of the Company, determined by dividing the amount in any Participant's Deferred Compensation Account on the last day of each such quarter, after allocation of such percentage, by the closing price per share of the Company's Common Stock on the New York Stock Exchange on the last trading day preceding such day, shall be credited to a Deferred Stock Account established by the Company on its books with respect to each Participant, and the aggregate increase in value of

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the Deferred Stock Account on such day shall be charged to the Deferred Compensation Account.

Section 5. Additional Credits. The Deferred Compensation Account or the Deferred Stock Account maintained with respect to each Participant before his Deferred Payment Date shall be increased or changed to reflect the value of any dividends paid on Common Stock of the Company, whether in cash, stock of the Company or otherwise and any stock split or consolidation and reorganization of the Company, as though the Participant had been the owner of the shares of Common Stock of the Company in the Deferred Stock Account maintained with respect to him on the record date for the payment of any such dividend, stock split or consolidation and reorganization.

Section 6. Distribution After Deferred Termination Date. At least six months before a Participant's Deferred Payment Date, such Participant shall, by written notice to the Secretary of the Company, elect (a) a lump payment upon his Deferred Payment Date or (b) periodic payments, as described below:

(a) If a Participant shall have elected to receive a lump payment, the Company shall on his Deferred Payment Date deliver to him the number of

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shares of Common Stock of the Company credited on that date to the Deferred Stock Account maintained with respect to him, together with a check payable to the Participant or order in the amount allocated upon that date to the Deferred Compensation Account maintained with respect to him.

(b) If a Participant shall have elected to receive periodic payments, the Company shall, upon his Deferred Payment Date and annually thereafter for such additional number of years not exceeding nine (9) as the Participant shall have specified, deliver to the Participant the number of shares of Common Stock of the Company credited to the Deferred Stock Account maintained with respect to him on his Deferred Termination Date divided by the number of periodic payments which the Participant shall have specified. The Company shall also deliver to the Participant on his Deferred Termination Date its check payable to the Participant or order in the amount allocated upon that date to the Participant's Deferred Compensation Account. If a Participant shall have elected to receive periodic payments, the Deferred Stock Account maintained with respect to him shall be increased or changed subsequent to his Deferred Payment

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Date to reflect any stock dividend, stock split or consolidation and any reorganization by the Company effected subsequent to his Deferred Payment Date, and the Company shall deliver to the Participant upon each periodic payment date its check payable to the Participant or order in the amount of the value of any dividends declared in cash or property other than stock of the Company during the period since the last periodic payment date upon the number of shares then credited to the Deferred Stock Account maintained with respect to a Participant.

(c) Notwithstanding anything to the contrary stated in (a) or (b) of this Section 6, each stock or cash distribution made by the Company pursuant to this plan shall be net of any withholding or other payment required by any government with respect to such distribution.

Section 7. Investment. Any Participant who is at the time at which he is entitled to receive any stock of the Company pursuant to this plan a director, an officer or a controlling person of the Company may be required by the Company, as a condition precedent to any right to receive any share of Common Stock of the Company, to ex-

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cut and deliver to the Company a letter satisfactory in form and substance to counsel for the Company stating that he is acquiring such stock for investment only and not with any intention of selling such stock.

Section 8. Competition. Any Participant who shall engage in competition with the Company, accept employment with or acquire or hold any substantial interest in any business which is competitive with the business then carried on by the Company, or act as an officer or director of any corporation engaged in competition with the business then carried on by the Company, without the written prior consent of the Company's Board of Directors, including a majority of those directors who are not eligible to be Participants or who have not elected to defer payments pursuant to this plan, shall forfeit all right to receive any distribution of stock or payment pursuant to Section 6 hereof which would otherwise be distributable on or after the initial date of such action by the Participant. Ownership by a Participant of stock or other securities listed on a national securities exchange of a competitor of the Company which does not represent more than 1/2% of any class of securities of such competitor shall not be deemed of itself to be the holding of a substantial interest in such competitor for purposes of this Section 8.

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Section 9. Rights Unsecured. The right of any Participant to receive any distribution pursuant to this plan shall be an unsecured claim against the general assets of the Company. The Company may, but shall not be obligated to, acquire shares of its outstanding Common Stock from time to time in anticipation of making distributions pursuant to this plan, but no Participant shall have any right in or against any share of stock so acquired by the Company.

Section 10. Termination. The Board of Directors of the Company may terminate this plan at any time. Upon such termination, no further additions shall be made to the Deferred Compensation Account of any Participant except with respect to dividends paid upon Common Stock of the Company and no further changes shall be made to the Deferred Stock Account of any Participant except with respect to stock dividends, stock splits or consolidations and reorganizations.

Section 11. Amendment. The Board of Directors of the Company, including a majority of the directors who are not eligible to be Participants or who have not elected to defer payments pursuant to this plan, may without the consent of the Participants amend the plan at any time and from time

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to time; provided, however, that no amendment which would substantially increase the cost of this plan to the Company shall become effective without the approval of the holders of a majority of the shares of the Company's Common Stock, and that no amendment shall reduce the rights of Participants to receive payment for services rendered by them prior to the date of such payment.

Section 12. Effective Date. This plan shall be effective on and after April , 1968, provided, however, that if rulings substantially as requested by the Company are not received from the Internal Revenue Service prior to December 1, 1968, this plan shall be terminated on such date and amounts allocated to Deferred Compensation Accounts and Deferred Stock Accounts shall be immediately distributed to the Participants.

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GENERAL HOST CORPORATION

CERTIFICATE

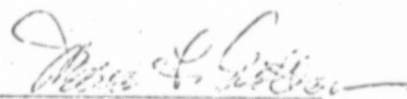
I, GEORGE L. SHELTON, Assistant Secretary of General Host Corporation, a New York corporation, DO HEREBY CERTIFY that the following is a true, correct and complete copy of resolutions duly adopted by the Board of Directors of the Company at a meeting duly called and held on December 4, 1968, a quorum of said Board being duly present and acting throughout and that said resolutions are still in full force and effect:

RESOLVED, that the Deferred Compensation Plan for Directors is hereby amended to provide for an extension under Section 12 of the Agreement from December 1, 1968 to the date of the next annual meeting of stockholders.

And it was further

RESOLVED, that the proper officers of the Corporation are hereby authorized to submit the plan to the stockholders for their approval at their next annual meeting.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of General Host Corporation this eighteenth day of December, 1968.


George L. Shelton
Assistant Secretary

JA1069^a

DEFENDANTS' EXHIBIT NO. A-20:

ARTICLE WALL STREET JOURNAL, DATED DECEMBER
24, 1968

Armour Calls Off Plan to Acquire Williams Brothers

No Reason Given for Decision
Announced by Both Firms;
Discussions Could Resume

12/24/68
General Host Seeks Armour

A WALL STREET JOURNAL NEWS ROUNDUP

Armour & Co. said it has abandoned a previously announced plan for an exchange offer to shareholders of Williams Brothers Co., a pipeline and pipeline-services concern, based in Tulsa, Okla.

Neither William Wood Prince, chairman of Armour, nor John H. Williams, president of Williams Brothers, would predict whether negotiations between the companies would be resumed, but their joint statement left open the possibility.

Earlier this month, Armour said it would swap 1.3 shares of its common for each one of the approximately 2.9 million Williams common shares outstanding. Value of the proposed exchange was estimated as high as \$225 million.

At the time the offer was made, it was seen as an attempt by Armour to elude a bid by General Host Corp. for control of Armour. Currently, General Host owns one million shares of Armour common, giving it a 16.5% interest in the Chicago-based maker of food, chemicals and industrial products. If Armour's offer for Williams had succeeded, Armour would have issued 3.8 million common shares, thus cutting General Host's interest in Armour to about 10%.

Earlier this year, Williams terminated agreements in principle to merge with ACF Industries, New York, and International Minerals & Chemical Corp., Skokie, Ill., also without explanation.

Antitrust Action Feared

Armour management, which opposes the bid for control by General Host, contends that acquisition of Armour by General Host, a major food-service concern, would be in violation of an antitrust decree that prevented Armour from handling some 140 different food products.

Commenting on the General Host proxy statement issued last Friday, Mr. Prince noted that it contains a statement that "the Department of Justice had indicated to General Host that in its view the acquisition or control of Armour by General Host under present circumstances would violate this decree. Accordingly, it may become necessary or desirable for General Host to modify, dispose of, or agree to dispose of, a substantial part of its assets and business."

In the opinion of Armour counsel, Mr. Prince said, "General Host Corp. would have to dispose of substantially all, if not all, of its present businesses prior to any attempt to gain control of Armour. Under such circumstances, the entire General Host proxy statement and the proposed offer are meaningless balderdash."

Product Prohibitions

The antitrust decree referred to is the packer's consent decree of 1920. It prevents Armour from entering into businesses making or selling such products as cereals, baking products, tea, coffee, and other foods, many of which are handled by General Host.

General Host declined comment on the Armour statements but said it filed a registration statement yesterday with the Securities and Exchange Commission covering the Armour exchange offer.

The New York-based company also said it's talking with the Justice Department about possible violations of the packer's consent decree.

General Host shareholders will vote Jan. 20 on the company's proposed exchange offer for all of Armour's outstanding common stock. The proposed offer for each Armour share is \$60 in General Host 7% debentures and 1 1/2 warrants to purchase General Host common at \$45 a share.

Yesterday, General Host common, traded on the New York Stock Exchange, closed at \$39, down \$1.75 from Friday's close, on volume of 12,100 shares.

Armour Unit Boosts Prices

By a WALL STREET JOURNAL Staff Reporter

BURNHAM, Pa.—The Standard Steel division of Baldwin-Lima-Hamilton Corp. said it boosted prices of forged wheels and axles by approximately 4% effective last Saturday.

Baldwin-Lima-Hamilton is a subsidiary of Armour & Co. Its Standard Steel division said the higher prices reflect increased costs of labor and materials.

The move follows similar action announced last week by U.S. Steel Corp., which boosted prices on railroad steel products, including forged wheels and axles, by about 4%.

